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UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

(IN EIGHT VOLUMES)

VOL. 1

HEARINGS NOS. 1-11

(Pages 1-782)

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

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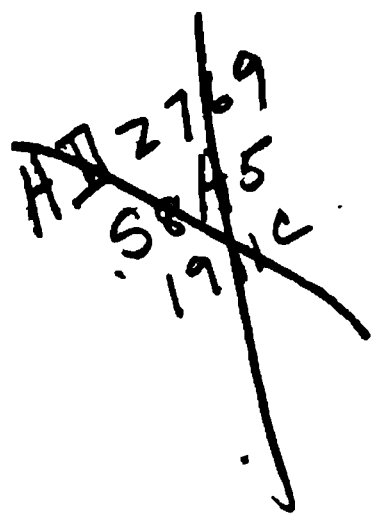
1911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UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Saturday, May 27, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

STATEMENT OF MR. J. W. GATES.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Gates, you are a resident now, I believe, of the great State of Texas?

Mr. GATES. Yes, sir.

The CHAIRMAN. And your full name is John W. Gates?

Mr. GATES. Yes, sir.

The CHAIRMAN. And you have had considerable experience in the iron and steel business, I think?

Mr. GATES. I have had some.

The CHAIRMAN. And you are more or less interested in that business now?

Mr. GATES. Yes, sir.

The CHAIRMAN. Mr. Gates, I will ask if you were ever interested in any way in what was once known as the Tennessee Coal & Iron Co.?

Mr. GATES. Yes, sir; I was a stockholder and director, and member of the executive committee.

The CHAIRMAN. You will please tell the committee in your own way the early history of your connection with that company.

Mr. GATES. A syndicate was formed during my absence in Texas, in November or December——

Mr. BARTLETT. What year?

Mr. GATES. 1904 or 1905, I think it was, which acquired a controlling interest in the Tennessee Coal & Iron Co. That syndicate was managed by Mr. Grant B. Schley, of Moore & Schley; and Mr. Charles S. Guthrie, who was then president of the Republic Iron & Steel Co. They acquired through purchase in the open market—some possibly by private sale and purchase—a large majority of the shares of stock of the Tennessee Coal & Iron Co. They telegraphed me what they had done, and I acquiesced in their action and took a proportionate amount of the total stock purchased, which my recollection is was in the neighborhood of 200,000 shares. There were some 10 or 12 and perhaps 15 men interested in what was known as the Tennessee Iron & Coal syndicate. Under the terms of the syndicate agreement, the managers of the syndicate, Mr. Schley and Mr. Guthrie, had a right to sell the stock without asking any questions,

provided they sold it at a profit, but they could not sell the stock at a loss without the consent of all the syndicate members.

Mr. Guthrie passed away a few months later, and Mr. L. C. Hanna, of Cleveland, Ohio, was elected as the associate syndicate manager with Mr. Schley.

The CHAIRMAN. Mr. Hanna, I believe, was a brother of Senator Hanna?

Mr. GATES. He is a brother of the late Senator Hanna.

We proceeded to operate and improve the company as fast as we could, consistent with good business judgment, and I sailed for Europe in July, 1906.

The CHAIRMAN. You speak of improving this property.

Mr. GATES. Perhaps it was 1907. We went to Europe in July, and we returned from Europe on the 6th of November, I think, of the same year—either the 6th or the 7th, I am not quite certain which. When we returned to America this country was in the throes of a panic, and I picked up a newspaper in the morning before we got off the ship and saw that the stock of the Tennessee Coal & Iron Co. had been sold to the United States Steel Corporation.

Mr. BARTLETT. Did you give the date of your return? Of course that would be important.

Mr. GATES. It was on election day, I remember, on Tuesday of an election day. November of 1906 or 1907 I returned. Then upon my arrival at the hotel I received a note from Mr. Schley——

The CHAIRMAN (interposing). The November election?

Mr. GATES. November 6, 1907, I think it was; I will not be positive as to dates, but I know it was a legal holiday and that there was an election the day I returned.

Mr. BARTLETT. You may fix it by this: The letter of the President to the Attorney General is dated November 4, 1907. Probably that will aid you.

Mr. GATES. I think it was November 6 or 7, 1907. Upon my arrival at the Plaza Hotel I found a note from Mr. Schley, who had an office then and has one now at 747 Fifth Avenue between Fifty-seventh and Fifty-eighth Streets, asking me if I would not please come over to his office at once.

Mr. BARTLETT. That is Mr. Schley of the firm of Moore & Schley?

Mr. GATES. Yes, sir; of the firm of Moore & Schley.

I probably got there either about 11 or 12 o'clock, and I found negotiations pending between Mr. Frick, Judge Gary, and Mr. Morgan on one side, and Mr. Schley, Mr. Hanna, and associates on the other side, and I was told that they were all at Mr. Morgan's residence. Judge Gary, Mr. Morgan, and Mr. Frick were trying to acquire this block of stock, which was the control by a very large majority.

The CHAIRMAN. Did you say at Mr. Morgan's residence or his office?

Mr. GATES. At his residence in Thirty-sixth Street; at least some one called up from there and said they were all in conference and wanted to know whether they were going to close the Tennessee Coal & Iron deal on the basis of their proposition.

Mr. BARTLETT. It is the impression on my mind that you found Mr. Morgan and Judge Gary at Moore & Schley's office. You do not mean to say that?

Mr. GATES. I said Mr. Morgan, Judge Gary, and Mr. Frick were at Mr. Morgan's house.

Mr. JONES. Mr. Gates was told that they were at Mr. Morgan's house.

Mr. GATES. I was told that and learned its correctness from various telephonic conferences which occurred between Mr. Morgan's residence and Moore & Schley's office on Fifth Avenue.

Judge Gary, Mr. Morgan, and Mr. Frick were trying to acquire the stock, as I remember it, by an exchange of an equal amount of what was known as United States Steel second fives. In other words, for each 10 shares of the Tennessee Coal & Iron stock they were to get one of the second-mortgage bonds of the United States Steel Corporation. I said to Mr. Morgan I thought that was not enough, and I was not willing to trade on that basis. So, after three, four, or five hours of telephoning backward and forward, we made a trade with them on the basis, as I remember it, of about 119¾ per cent of United States Steel sinking bond fives, as they are known, for Tennessee stock.

Under the terms of the trade, we were to tender our resignations as directors in a body, and the United States Steel Corporation were to elect such men as they selected to succeed us. We were to meet, I think, the following morning, at the office of the Tennessee Coal & Iron Co., at the Realty Building, 115 Broadway, at 11 o'clock. We met at the appointed hour, and I said to Judge Gary: "You are simply buying a majority of this stock, and taking the resignations of the board of directors."

Mr. BARTLETT. Judge Gary was chairman of the board of directors of the United States Steel Corporation?

Mr. GATES. He was the chairman of the board of directors of the United States Steel Corporation, and Mr. Corey was its president, and he was also there. He said to us: "We do not care anything about the minority." "Well," I said, "we do care about having the minority treated exactly the same as the majority, and we will not turn over this stock unless you pass a resolution, and give us a copy of it, agreeing to pay all of the minority stockholders the same price for their securities as you pay the majority stockholders." After some discussion a resolution was passed and a copy handed to us, agreeing to take care of the minority stockholders on the same basis and at the same price and terms that the majority stockholders were taken care of.

That is about all I can tell you about the Tennessee Coal & Iron proposition.

Mr. MCGILLICUDDY. Who owned the majority stock?

Mr. GATES. I stated earlier that the majority of the stock was bought by a syndicate. Col. Oliver Payne was in that syndicate, and I think Mr. J. B. Duke and Mr. E. J. Berwind.

Mr. BARTLETT. O. H. Payne, L. C. Hanna, G. B. Schley, J. B. Duke, E. J. Berwind, J. W. Gates, A. N. Brady, G. A. Kessler, O. Thorne, E. W. Oglebay, H. S. Black, F. D. Stout, J. W. Simpson, G. W. French, S. G. Cooper, and J. A. Topping. Is that correct?

Mr. GATES. I think that is a correct statement of the syndicate.

The CHAIRMAN. Do you recall the shares that they held of this stock?

Mr. GATES. There were varying amounts.

The CHAIRMAN. I do not mean the separate amounts, but the combined amount?

Mr. GATES. I think there were in the neighborhood of 200,000 shares, perhaps more. In the original participation, I think Payne, Kessler, Berwind, Schley, Duke, and myself each had 18,000 shares. The others were divided up in smaller donominations; some had 3,000, some had 5,000, and some had 9,000.

The CHAIRMAN. You spoke of exchanging the bonds or the stock of the Tennessee Coal & Iron Co. for the second-mortgage bonds of the United States Steel Corporation.

Mr. GATES. Yes, sir.

The CHAIRMAN. Which security had the greater basis of tangible value behind it, the stock or bonds of the Tennessee Coal & Iron Co. or the second-mortgage bonds of the Steel Corporation, for which they were exchanged?

Mr. JONES. That, if you please, is a question of opinion, and my understanding is that you are after the facts here; but I have no objection to Mr. Gates stating his opinion, if he so desires.

The CHAIRMAN. I will not insist upon Mr. Gates giving an answer to that question; but I think his opinion would have great weight before this committee.

Mr. GATES. I can only give you an answer by telling you what the quotations on the New York Stock Exchange were for each of the securities at the time of the exchange. I think the Tennessee Coal & Iron stock was selling at somewhere between $120 and $160 per share at that time, and the United States Steel sinking fund seconds were selling between $80 and $85.

Mr. BARTLETT. The prices of securities of that sort are generally controlled by what is behind them? I do not mean the speculative price, but the price on the market, rather, the difference in the value of the property that is behind it.

Mr. GATES. That is supposed to be the fact, but I do not know that it always is.

The CHAIRMAN. What I had in mind was this: This was in time of stress—panic—and collateral very often is measured by what you can get on it under an execution, as we say, a forced sale of tangible property that can be reached by virtue of foreclosing the bonds or putting up the property behind the stock. Now, which one of those two securities had the greater amount of tangible, unencumbered property behind it, the stock or bonds of the Tennessee Coal & Iron Co. or the second-mortgage bonds of the United States Steel Corporation?

Mr. YOUNG. Those exchanged or the whole of the stock?

The CHAIRMAN. Those for which the exchange was made.

Mr. GATES. The second-mortgage bonds of the United States Steel Corporation are practically a promise to pay. I do not think there is any particular security behind them except the preferred shares of the Steel Corporation itself. The stock of the Tennessee Coal & Iron Co. represented the total equity in the property of the Tennessee Coal & Iron Co. over and above its bonded indebtedness.

The CHAIRMAN. What property had you there? What kind of property? What amount of ore was available at that time?

Mr. GATES. Well, I do not think anyone could testify correctly today as to the amount of ore owned by the Tennessee Coal & Iron Co.

It would take a year to correctly measure up the amount of ore we had. We always estimated that we had not less than 300,000,000 tons, and we might have 500,000,000 to 700,000,000 tons of ore in the Tennessee Coal & Iron Co. property.

The CHAIRMAN. Coal and iron ore?

Mr. GATES. No; I am talking about iron ore. The coal acreage was enormous. Unless I saw a statement of the Tennessee Coal & Iron Co. I could not give anything like an approximate statement of the coal. If you will let me see that statement I am willing to testify whether I think that statement is fairly correct.

The CHAIRMAN. I believe you esimated your acreage, the tonnage of coal, to be something like 1,400,000,000 tons of coal?

Mr. GATES. Well, Mr. Chairman, I could so easily make a mistake of 500,000 tons that I should prefer to look at the statement. I had a voice in drawing up that statement, and I know I thought it was correct at the time I assisted in drawing it up.

The CHAIRMAN. How are the coal, iron ore, and limestone located in that company—with reference—I refer now to the convenience in assembling it or facility for assembling your ores. Were they separated by any great distances or were they close together?

Mr. GATES. I think that in the Birmingham district it is possible to assemble a ton of material and make a ton of pig iron cheaper than at any other place in the world.

The CHAIRMAN. I think Mr. Schwab made the same statement before the Ways and Means Committee. Have you examined his statement?

Mr. GATES. Well, I do not know. It would not have any effect on me. I learned what I learned by hard knocks and not from the other fellow.

The CHAIRMAN. I want to call your attention to this statement: It has been estimated that you could make a ton of steel rails or convert the iron ore at $2 or $3 less cost per ton, that with improved machinery and a proper plant you could convert a ton of iron ore at $2 or $3 a ton cheaper. I think Mr. Schwab makes it $4 a ton.

Mr. GATES. Do you ask for an opinion or a fact?

The CHAIRMAN. I want both.

Mr. GATES. If you ask for an opinion, I am willing to give you one.

The CHAIRMAN. All right.

Mr. GATES. If you ask for a fact, I would like to look at the cost sheet.

The CHAIRMAN. I want an estimate, that is all.

Mr. GATES. A ton of pig iron, under the most modern practice, in what is known as the Birmingham district can be produced to-day for less than $9 a ton. There is no other part of the United States that I am acquainted with, however, where it can be produced at less than $11 a ton, based on the freight rates for assembling the raw material. As an illustration, the freight rate on dolomite, which is used for the flux, is perhaps 12½ cents a ton, in some cases possibly 15 cents a ton, freight to the furnace. The freight on the coke in some instances is nothing; the coke is made at the furnaces. The freight on the ore varies, I think, from 10 cents a ton to about a maximum of 25 cents a ton on anything directly in the Birmingham district. When you get out of the Birmingham district and get to use a richer brown ore, the freight rate runs up to 35 cents and 40

cents and, I think, 50 cents a ton, but in the close proximity of Birmingham you can assemble the material and make a ton of pig iron cheaper, in my opinion, than anywhere in the world.

The CHAIRMAN. This company seems to show some improvement in its property by the character of betterments made in the years 1906 and 1907, before its absorption by the United States Steel Corporation. Do you remember what improvements were made on that property at that time?

Mr. GATES. We spent money as fast as we could and do it intelligently. I think we spent during the time we had the property somewhere between $6,000,000 and $8,000,000.

The CHAIRMAN. For what was that money spent?

Mr. GATES. Everything you can think of to improve a steel plant or a blast furnace or a coke oven or a coal mine or a dolomite quarry.

The CHAIRMAN. Now, what were you doing—getting any business in the way of orders for converting this ore into rails, and the like of that?

Mr. GATES. Why, we had just taken a very large order for rails—I think 150,000 tons of rails—from Mr. E. H. Harriman, at $2 per ton advance over the price of Bessemer steel rails.

Mr. BEALL. What kind of a rail were you making?

Mr. GATES. We were making a Bessemer open-hearth rail. We took the contract, I think, for the Southern Pacific and the Union Pacific roads for an open-hearth rail. Whether they were actually making the rails at the time the company was taken over by the corporation I do not remember, but we were preparing to make the open-hearth rail and had sold 150,000 tons.

The CHAIRMAN. What was the reason for this excess in the price of your rail over the Bessemer rail?

Mr. GATES. We thought it was a better rail and we convinced Mr. Harriman.

The CHAIRMAN. Did you get orders from any other concern?

Mr. GATES. The Harriman order was a large order, and it would take several months to fill it. We had some small orders, but that practically put us out of the market.

Mr. BEALL. Was the United States Steel Corporation in a position to make that character of rail at that time?

Mr. GATES. They had open-hearth plants in the North, but I do not think they had made for the commercial market any open-hearth rails; they might have made a few trials.

Mr. YOUNG. Had you made any before that time?

Mr. GATES. Yes, sir.

Mr. YOUNG. To any great extent?

Mr. GATES. Yes; we had made a good many thousand tons; but we were putting in a new and improved mill to make the rails cheaper; they were costing more than they should have cost.

The CHAIRMAN. Was there any other concern in the United States, Mr. Gates, or in America, that was situated with reference to its raw material—the natural resources—as favorably as the Tennessee Coal & Iron Co., with the possible exception of the United States Steel Corporation, at the time it acquired this company?

Mr. GATES. The Republic Iron & Steel Co. was as favorably situated with their Birmingham plant, but they were only making pig iron; but the Republic Iron & Steel Co. can make just as cheap steel

by the expenditure of money as the Tennessee Coal & Iron Co. was making. Their situation is practically identical with the Tennessee Coal & Iron Co.

The CHAIRMAN. The Tennessee Coal & Iron Co.?

Mr. GATES. Yes, sir.

The CHAIRMAN. It has been stated on rather high authority that at the time the Tennessee Coal & Iron Co. was acquired there was a certain business firm, the name of which is not given, which would undoubtedly have failed in New York if help had not been given it; and it is alleged that a branch of this business firm had among its assets a majority of the securities of the Tennessee Coal & Iron Co., and that an application had been made to the United States Steel Corporation to purchase this stock, in order to save a financial institution in the State of New York and avert a panic. Do you know anything about such a situation in New York on election day, when you landed?

Mr. GATES. My answer is that in the exchange of those securities there was not a dollar changed hands.

The CHAIRMAN. And no bank received any additional assistance by virtue of the absorption of this concern?

Mr. GATES. I think not.

The CHAIRMAN. Did any member of the Tennessee Coal & Iron Co. make any application to the United States Steel Corporation to accept a comparatively worthless property in order to save the country?

Mr. GATES. I do not think I could answer that. I think that question is a little bit facetious, if you will excuse me.

The CHAIRMAN. I want to know who flew that alleged signal of distress from the Tennessee Coal & Iron Co., notwithstanding this condition of affairs which you have described?

Mr. GATES. There are a great many underground wires in New York. We have a clearing-house association. I was told that a certain bank or trust company applied to the clearing-house association for assistance; that a committee was appointed by the clearing-house association to examine their assets, and that in the examination of their assets they discovered that several million dollars of their loans on collateral were on the stock of the Tennessee Coal & Iron Co., and that they reported back to the committee that there were too many dollars loaned on Tennessee Coal & Iron stock. I am giving you now what bankers have told me and what persons in this deal have told me, not what I know of my own personal knowledge. That as a result of this investigation a gentleman was invited to Mr. Morgan's house, and Mr. Morgan suggested to relieve the congestion that the steel corporation might acquire the Tennessee Coal & Iron Co. This is hearsay evidence. I do not give it for facts, but I give it for what others told me. I was on the water. That led up to the negotiations which were closed by their acquiring the Tennessee Coal & Iron Co.

The CHAIRMAN. I has been stated by a certain distinguished official of this Government—I will not give my authority—that on the 4th of November, 1907, Judge Gary and Mr. Frick informed him that as a mere business transaction they did not care to purchase the stock, and under ordinary circumstances they would not consider purchasing the stock, because but little benefit would come to the

steel corporation from the purchase; that they were aware that the purchase would be used as a handle for attack upon them on the ground that they were striving to secure a monopoly of the business and prevent competition—not that this would represent what could be honestly said, but what might be recklessly and untruthfully said. Do you know or have you heard by rumor or otherwise of any appeal to the tender sensibilities of the purchasers of this concern to take it on account of the conditions mentioned in this communication?

Mr. GATES. I think Mr. Morgan offered Mr. Kessler, who was one of the men in this syndicate, $150 a share for the stock, conditioned upon the corporation ratifying the trade.

The CHAIRMAN. What did you actually get for your stock?

Mr. GATES. Well, that is a hypothetical question. We got 119¾ per cent of second-mortgage steel bonds that are now worth 108, worth then 80 and 85.

The CHAIRMAN. What were the second-mortgage bonds worth at the time you were offered $160 for your stock?

Mr. GATES. I was never offered $160 for my stock.

The CHAIRMAN. At the time the offer was made?

Mr. GATES. Mr. Kessler told me that Mr. Morgan said he would give $150, if his colleagues would agree to it, in the Steel Corporation. They did not agree to it at that time.

Mr. BEALL. Just for Mr. Kessler's stock or the stock of the syndicate?

Mr. GATES. The entire syndicate's stock. Mr. Kessler had a large block of stock, and when this syndicate went to acquire it they discovered that Kessler was a factor in the Tennessee Coal & Iron situation, and so they took him in. I do not know this to be true. I am giving you my authority. Kessler made that statement.

The CHAIRMAN. In your opinion, Mr. Gates, what per cent of the actual value of the Tennessee Coal & Iron Co. did the Tennessee Coal & Iron Co. receive at the time of this sale under the conditions you have mentioned?

Mr. GATES. That is purely a matter of opinion, and I would hardly care to reply to it directly. If they sold their bonds—the bonds went as low as 78—if they sold their bonds at 78 they got less than par. If they held them until they got 106 or 108, they got 120 or 125 for their stock. I think my stock cost me in the neighborhood of 105. I took the original amount of 18,000 shares at about 108 or 112, and then we put in effect several million dollars of the stock on which we declared a 4 per cent dividend.

The CHAIRMAN. I was referring to a reported interview which appeared in the hearings before the Senate committee, in which you are reported as saying:

> As to the purchase of the Tennessee Coal, Iron & Railroad Co. by the United States Steel Corporation, the steel men got the best property in the country, and at a bargain price. I regard it as a sacrifice of stock worth a great deal more than the purchase price. I did not want to sell my stock, but had to follow the crowd. Had Tennessee stock been thrown on the market, I would have been better off, as I could have increased my holdings at a low price. The iron ore and coal deposits of the Tennessee Co. are worth many times more than the entire cost of the property to the Steel Corporation.

Mr. GATES. That I would be willing to make an affidavit to to-day, in my opinion; it is purely an opinion.

The CHAIRMAN. It has been stated on very high authority, Mr. Gates, and this statement was made by an official of this Government to another official; they are referring now to Mr. Gary and to Mr. Frick.

They further inform me that as a matter of fact the policy of the company has been to decline to acquire more than 60 per cent of the steel properties, and that this purpose has been persevered in for several years past, with the object of preventing these accusations, and, as a matter of fact, their proportion of steel properties has slightly decreased, so that it is below this 60 per cent; the acquisition of the property in question will not raise it above 60 per cent?

Mr. JONES. At what time was that statement made?

The CHAIRMAN. November 4, three or four days before the election. Prior to the time your properties were actually sold were any efforts made other than those you have mentioned by the United States Steel Corporation to acquire this property?

Mr. GATES. Not that I know of.

The CHAIRMAN. Do you know whether it has been the desire or purpose of the corporation to get hold of this property, if an opportune occasion ever offered, for several years prior to that time?

Mr. GATES. That is hardly a fair question. I can not tell what was in the minds of the corporation.

The CHAIRMAN. I am asking for an opinion as to what efforts had been made to purchase this property of which you are aware, or propositions like the proposition you spoke of, $150 for the stock, if a proposition had been made. A farmer knows whether some one wants to buy his horse by the way people talk to him, and I presume it would be the same way with a property of this kind, that if you wanted to get hold of it there would be somebody actively at work.

Mr. GATES. They had a large brokerage house, in which some of the prominent members of the corporation do a great deal of business, approach my son probably a year before, and he said he could handle the property at a satisfactory price if we gave him an option. In that talk he intimated it was for the corporation, but I do not know whether it was or was not.

The CHAIRMAN. This statement is further made as to these gentlemen, Mr. Frick and Judge Gary, made by one official of the Government to another:

> But they feel that it is immensely to their interest, as to the interest of every responsible business man, to try to prevent a panic and general industrial smash up at this time, and that they are willing to go into this transaction, which they would not otherwise go into, because it seems the opinion of those best fitted to express judgment in New York that it will be an important factor in preventing a break that might be ruinous, and that this has been urged upon them by the combination of the most responsible bankers in New York who are now thus engaged in endeavoring to save the situation.

Did this combination of bankers, of which Mr. Morgan is the reputed head, lose greatly by that panic?

Mr. JONES. That is again asking for Mr. Gates's opinion.

The CHAIRMAN. Mr. Gates has an opinion about that, for they allege here that these bankers took over this property to save the situation at a great sacrifice; that they saved properties worth several millions of dollars, perhaps $100,000,000 to those people. I thought he would know something of the loss they made by virtue of this patriotic effort to save the situation, but I want to know the whole

truth both in favor of the steel corporation and against it, and both in favor of the bankers and against them?

Mr. GATES. I never heard any rumor about the danger of Mr. Morgan making an assignment. I do not know whether he made money or lost it.

The CHAIRMAN. Did the sale of this concern have any effect—could it have any effect—upon the stress at that time other than the stress upon one or two individuals in the Tennessee Coal & Iron Co.?

Mr. GATES. There was not a dollar changed hands; it was simply a shifting of securities, a shifting of collaterals.

Mr. BARTLETT. It did not add a dollar to the circulation in New York?

Mr. GATES. It did not or detract a dollar from the situation.

The CHAIRMAN. I believe Mr. Schley, who makes a statement in the Senate report, is sick now and not able to be here?

Mr. GATES. Yes, sir.

The CHAIRMAN. As I gather from the published report of Mr. Schley, he states that this was a forced sale; that he was squeezed on the street. To what extent was this sale forced, and if you know anything about who did the forcing I wish you would let me know.

Mr. JONES. I think Mr. Gates has answered that question.

The CHAIRMAN. I did not catch it.

Mr. BARTLETT. Mr. Chairman, with all kindness, these lawyers had better read the rule we have with reference to counsel.

Mr. JONES. I did not know what privileges, if any, were extended to counsel. I have not any disposition whatever to cause Mr. Gates to withhold any information. It is only that I thought I might expedite this investigation by keeping out, if possible, immaterial testimony.

The CHAIRMAN. There is a rule of the committee, under which it operates, that in case any objection is made to a witness answering, of course you can state your objection, and then if you want to give any reasons why he should not answer, they should be given in writing.

Mr. YOUNG. When was that rule adopted? I have not heard anything about it.

Mr. BARTLETT. At the first meeting of the committee.

The CHAIRMAN. But I shall not insist upon an answer further than the witness cares to go in this case; not that I have not the right to do it, but I do not care in this to exercise that right. Usually, I would under ordinary circumstances. But I am asking you now about the published statements of Mr. Schley in which he discusses this question at length. I believe you have read his statement?

Mr. GATES. Yes, sir.

The CHAIRMAN. He gives a history of his trials and tribulations in an effort to secure money in New York, and he states that there were certain influences that prevented his getting this money on what were good and tangible securities, and that these influences were exerted for the purpose of forcing him to throw the securities of the Tennessee Coal & Iron Co. on the market.

Mr. GATES. I regarded it as a forced sale. I had no accounts myself with Moore & Schley's office. He was not borrowing any money for me on any securities that he was holding as agent for me;

I had no account with him. I had taken up my securities at the time the transaction took place.

The CHAIRMAN. What influences, what financial power was it, that forced this sale or that necessitated it? I will not say "forced it."

Mr. GATES. I do not know the facts, but my surmise would be that the finding of a large amount of Tennessee Coal & Iron as collateral in one of the banks or trust companies.

The CHAIRMAN. Did Mr. Morgan have any decided influence over the attitude of this bank and trust company toward the Tennessee Coal & Iron Co. stock?

Mr. GATES. I do not know. It is pretty hard to tell where a man's influence starts or ends on Wall Street.

Mr. MCGILLICUDDY. At the time this deal was consummated, in November, 1907, whereby the stock of the Tennessee Coal & Iron Works was transferred in exchange for the steel seconds, what, in your opinion, was the total value of the property of the Tennessee Coal & Iron Works?

Mr. GATES. I think I stated that that was problematical.

Mr. MCGILLICUDDY. I want your opinion on it.

Mr. GATES. My opinion is that it was bought at a bargain sale; it was a forced sale on the part of the owners of the Tennessee.

Mr. MCGILLICUDDY. Would you give us your opinion as to its total value, approximately?

Mr. GATES. That is a very hard proposition to answer. In the first place, to get an accurate proposition you would have to measure their coal and measure their iron ore.

Mr. MCGILLICUDDY. I do not mean to be accurate, but your general opinion about it.

Mr. GATES. At the time Kessler reported to me an offer of $150 from Morgan I will say I did not think that was enough for the property.

Mr. MCGILLICUDDY. What did you think was a fair value?

Mr. GATES. It is a good deal like a man buys a horse to keep. I did not want to sell mine.

Mr. MCGILLICUDDY. Can you not give us your opinion as to what its fair market value would be?

Mr. GATES. No; because I might be very widely wrong. To give you an idea, the Tennessee Coal & Iron own what is known as Red Mountain, which has an immense body of ore, with tunnels and shafts going into it, but not through it. If that ore should pinch out, if the drills would show that the ore did not go greater than a certain depth, I might be mistaken. You are asking me to give you an approximate idea when it is almost impossible to form that without complete drill statistics.

Mr. MCGILLICUDDY. So far as the property was disclosed at that time, it must have had, in your mind, some value?

Mr. GATES. The answer is, I was willing to pay one hundred and eight or nine or ten dollars a share for it long before this, and was not willing to take one hundred and fifty.

Mr. MCGILLICUDDY. What would you have been willing to take at that time?

Mr. GATES. I did not want to set a price on mine.

Mr. YOUNG. Mr. Gates, how many shares of stock were there in the Tennessee Coal & Iron Co.?

Mr. GATES. There were between 20,000 and 30,000; I can not tell you the exact figures—I should say 200,000 or 300,000, making $20,000,000 or $30,000,000.

Mr. YOUNG. The par value of the stock was $100 a share?

Mr. GATES. Yes, sir.

Mr. YOUNG. What properties did it own?

Mr. GATES. That would be a hard question to answer without having maps.

Mr. JONES. Have you the report here of 1906 and 1907?

Mr. BARTLETT. Yes.

Mr. JONES. That states it.

Mr. YOUNG. They consisted of iron-ore properties?

Mr. GATES. Iron ore, dolomite, coal, coke, coke ovens, blast furnaces, limestone quarries, rolling mills, and so forth.

Mr. YOUNG. Did it own any railroads?

Mr. GATES. Yes; they were interested in a railroad.

Mr. YOUNG. What road was that?

Mr. GATES. The Birmingham Southern, I think.

Mr. YOUNG. Where did it run?

Mr. GATES. From Birmingham to the mines and the steel plants, and perhaps to some of the coke operations.

Mr. YOUNG. About what length of road, altogether?

Mr. GATES. I think less than 30 miles—the main line. Mr. Jones tells me a total of nearly 100 miles.

Mr. YOUNG. The road was built for the purpose of handling the raw material, the product of the Tennessee Coal & Iron Co.?

Mr. GATES. Yes, sir.

Mr. YOUNG. Mainly?

Mr. GATES. Yes, sir.

Mr. YOUNG. It was not a commercial road?

Mr. GATES. We did commercial work for everybody; we published a tariff, I think.

Mr. YOUNG. But the main business——

Mr. GATES. Our main business was the business of the Tennessee Coal & Iron Co.

Mr. YOUNG. I understood you to say that this was a forced sale?

Mr. GATES. I regarded it as a forced sale. I did not have to sell my stock. Under the argument, as I recollect it, in which we appointed originally Schley and Guthrie, and later Schley and Hanna, they had a right to dispose of the stock if at a profit, but they had no right to dispose of the stock at a loss.

Mr. YOUNG. Was it sold at a loss?

Mr. GATES. Considering the money and the time we spent in it, I think we lost money. I did a great deal of work in it, without money and without price, and all the rest of them did.

Mr. YOUNG. Did you get as much for it as you paid for it?

Mr. GATES. There you come back to the question of what the sinking fund bonds were worth.

Mr. YOUNG. Assuming they were worth what they sold for in the market at the time?

Mr. GATES. We lost money.

Mr. YOUNG. About how much per share?

Mr. GATES. I would say $10 or $15 a share at that time. I think the bonds sold down to 78.

Mr. YOUNG. When the panic had eased up, I suppose these bonds, like other securities, went up?

Mr. GATES. Yes, sir.

Mr. YOUNG. And it was true also, was it not, that during the panic the stock of the Tennessee Coal & Iron Co. greatly depreciated because of the situation?

Mr. GATES. Well, I think the stock of the Tennessee Coal & Iron Co., if it had not been unduly depressed, would not have gone down much, because it was held by a syndicate of men who I thought, and we all thought, could go through any panic and carry their securities.

Mr. YOUNG. Unless you were mistaken about that, why did they not carry it through instead of selling it at a loss?

Mr. GATES. They discovered a lot of it up as collateral in a bank or trust company.

Mr. YOUNG. What bank was it? I forget the name; it is a matter of public knowledge.

Mr. GATES. The Trust Co. of America. Mr. Thorne was one of the syndicate. The bank is solvent, strong, and the stock selling at $300 or $400 a share.

Mr. YOUNG. But you say this bank had made application to the clearing house for help?

Mr. GATES. There was a run on them then by the brokers.

Mr. YOUNG. They needed ready money?

Mr. GATES. They needed $10,000,000 of ready money, and they asked the clearing-house banks for the money, so the president of the trust company told me. I was a shareholder.

Mr. YOUNG. Do you know whether they got the money?

Mr. GATES. Yes, sir; they got it.

Mr. YOUNG. And do you know from whom they got it?

Mr. GATES. I think the syndicate was made up in Morgan's office. At least, I was in the bank, and I heard Mr. Thorne, the president, talking over the phone. I do not know it from personal knowledge, but when he shut off the phone he turned to me—he is a friend of mine—and said: "That was George Perkins I was talking to."

Mr. YOUNG. And then do I understand the situation to be this, that Mr. Morgan was willing to come to the relief of this bank provided he could get this stock?

Mr. GATES. Not of my personal knowledge.

Mr. YOUNG. You had no knowledge on the subject?

Mr. GATES. No; nothing definite.

Mr. YOUNG. As to this offer made to Mr. Kessler, if I understood you correctly, the statement was made that Mr. Morgan had said to Mr. Kessler that if his associates would agree to it he would take the control of the stock of the Tennessee Coal & Iron Co. at $150 a share?

Mr. GATES. I had best state the way this came about. Mr. Kessler, knowing that I had originally 18,000 shares in the syndicate and that I had put up my percentage of assessments for doing new work, which brought my total of securities up to twenty-odd thousand shares—twenty-two or twenty-three or twenty-four, I do not remember—came and asked me if I would agree to a trade on that basis with Morgan, and I told him no.

Mr. YOUNG. Then did he state to you how he came to ask you that question?

Mr. GATES. He told me he had been down talking with Morgan.

Mr. YOUNG. Was my understanding correct of your first statement, that Mr. Morgan said that if his associates would agree that he would——

Mr. GATES. My understanding was that Mr. Morgan said it would have to be ratified by Gary and Frick—that is, they would have to agree to it—or there would be no trade.

Mr. YOUNG. But nothing came of this, at all events?

Mr. GATES. I do not know whether Kessler went to every member of the syndicate or not, but he came to me with the proposition, and I turned it down.

Mr. YOUNG. And, so far as you know, that was the end of it?

Mr. GATES. As far as I know there was nothing came of it.

Mr. YOUNG. What was the Tennessee Coal & Iron stock quoted at in the market at the time this offer or proposition was being considered?

Mr. GATES. The Morgan proposition?

Mr. YOUNG. Yes.

Mr. GATES. I think it was quoted about $150 to $160.

Mr. YOUNG. What was it quoted for in the market at the time you actually sold it—during the panic?

Mr. GATES. My impression is somewhere from $120 to $140.

Mr. YOUNG. And in a panic the quotations on stock are very largely nominal, are they not? Often, under certain circumstances, you could not get the stock for certain quotations and under other circumstances you could not get anything like the quotations for the stock?

Mr. GATES. I think this would be a fair statement, to say that the day before Gary and Frick came down to see Roosevelt, if a man had gone in the market and tried to buy 2,500 shares of stock of the Tennessee Coal & Iron he would have probably had to pay $150 a share, average. On the other hand, if he had tried to sell 2,500 shares of the Tennessee Coal & Iron he might have been obliged to sell it at $110 or $115, average. It was a sort of a nominal market. There was probably no floating stock, it was so closely held by the people who had bought it for an investment. There was practically no stock in the hands of brokers.

Mr. YOUNG. On the other hand, there was no money with which to make new investments available in New York during the panic, was there, at that time?

Mr. GATES. It was pretty hard to get.

Mr. YOUNG. I did not quite understand your statement that you received 119¾ per cent in the Steel Co. bonds for your stock.

Mr. GATES. Calling each security par—Tennessee Coal & Iron par and bonds par—I received about 119¾—119 and a fraction.

Mr. YOUNG. But you got a trifle less than $120 for a $100——

Mr. GATES. You are getting mixed up on that, I think. The bonds were selling round $80.

Mr. YOUNG. Yes.

Mr. GATES. At the time of the transfer. If you got 120 per cent of bonds at $80, you would be getting $96 for your stock. They did sell down to $78; they have sold up as high, I think, as $108.

Mr. YOUNG. That is, you got $96 in bonds for a share of stock worth $100 par, do you mean?

Mr. GATES. I can not put it any plainer to you. The quotations on the bonds at the day I turned my stock in and got bonds, I think, were $80. I got approximately 120 per cent—between 119 and 120 per cent. Therefore, if I got 120 per cent, I would have got a property I could have sold for $96 a share. You see the idea—the bonds were so much below par.

Mr. YOUNG. In other words, you got $96 in market value of the bonds for a share of stock?

Mr. GATES. That is right.

Mr. YOUNG. You stated that, in your opinion, pig iron could be made at Birmingham at $9; does that relate to this time or the time when this transaction took place, when the property was sold?

Mr. GATES. We are making it for that to-day.

Mr. YOUNG. What?

Mr. GATES. The Republic.

Mr. YOUNG. What were you making it for at that time, when the sale took place?

Mr. GATES. If you will let me refer to the cost sheets of that date, I can tell you exactly. I happen to have the last month's cost sheet of the Republic at Birmingham in my mind, because I just passed on it; but I have not the cost sheets of the Tennessee Coal & Iron Co. of three years ago.

Mr. YOUNG. Do you know whether it was less or greater than it is now?

Mr. GATES. I do not.

Mr. YOUNG. What did the ore you were using run in metallic iron?

Mr. GATES. It varied between 35 and 44 per cent.

Mr. YOUNG. But about the average?

Mr. GATES. If you were using Red Mountain ore, which was the large body owned by the Tennessee Coal & Iron Co., I would say the average would be 38 or 39. If you were using a brown ore, it might run up to 44 or 48.

Mr. YOUNG. Where did the brown ore come from?

Mr. GATES. All over the South. It is a very pockety proposition. You may dig down over in that corner and you may find 5,000 tons of brown ore, and over in this corner not a particle. It is what is called a pockety ore.

Mr. YOUNG. Was the cost in assembling this higher grade brown ore greater per ton than of assembling the Red Mountain ore?

Mr. GATES. Yes, sir; because it lay in more scattered districts.

Mr. YOUNG. Was the cost of mining greater on account of its being scattered?

Mr. GATES. That is hypothetical. If you strike a pocket with 10,000 tons of brown ore, you can take it out very cheaply. If you only had 100 tons, it would cost you a lot of money. But the Red Mountain ore is a steady mining proposition. You can figure about what your cost will be.

Mr. YOUNG. In practice, how much iron ore did it take in the furnace to make a ton of pig iron?

Mr. GATES. It depends entirely on what kind of a charge you would put in your furnace.

Mr. YOUNG. On the average—I suppose you figured on that regularly?

Mr. GATES. We tried to get a charge so that 2½ tons of ore would make a ton of iron, but we did not always do it. Sometimes it would more than do it; sometimes it would not be enough.

Mr. YOUNG. About 2½, on the average.

Mr. GATES. Approximately that, I think.

Mr. YOUNG. What is the character of the coal that you have there?

Mr. GATES. We have got all kinds of coal—the same as all kinds of ore. The best coal down there is what is known as the Pratt seam.

Mr. YOUNG. Is that a high-grade coke coal?

Mr. GATES. Thas is a high-grade coke coal, the best in the South.

Mr. YOUNG. Is it as good as the northern coking coal—the Pennsylvania coal?

Mr. GATES. I would think not quite. But still it answers the purpose, and by a treatment it is just as good. If you wash the sulphur out of it, it is just as good as Connellsville.

Mr. YOUNG. How does this ore run in phosphorus there at Birmingham?

Mr. GATES. It is all a non-Bessemer ore. There is no Bessemer ore in the South that I know of.

Mr. YOUNG. The great advantage of Birmingham is in the close vicinity of the coal, the ore, and the limestone, is it not?

Mr. GATES. There is a slight freight rate for assembling the material at one given point.

Mr. YOUNG. The iron ores in the Lake Superior region run considerably higher in iron, do they not—those that are used commercially?

Mr. GATES. They usually do. I think this year the scale is 51½ metallic iron, or 51.

Mr. YOUNG. Many of them run to 56, do they not?

Mr. GATES. Yes; and many of them to 46.

Mr. YOUNG. Not a very large proportion that is being now used?

Mr. GATES. They treat it. We are mining ore in Canada that lies, in its natural state, 40, and we sweeten it up and ship it, 54 or 55; but we have to sort it.

Mr. YOUNG. Is the Tennessee Coal & Iron Co. a holding company?

Mr. GATES. They own their own properties.

Mr. YOUNG. It has no subsidiary corporations?

Mr. GATES. I think it has a few.

Mr. JONES. The Birmingham Southern Railroad is one.

Mr. YOUNG. Are there any subsidiary companies that own coal or iron-ore lands?

Mr. GATES. There may be some in which we own an undivided interest, or a three-fourths interest, or a one-fourth interest. I can not tell you without going through this. Take the Potter Ore Co., of which the Republic and ourselves jointly guaranteed a bond issue. That is a separate company, but it is operated for the benefit of the Tennessee Coal & Iron and the Republic Iron & Steel, and both are joint guarantors on the bonds.

Mr. YOUNG. Do you know what proportion of the stock of the Tennessee Coal & Iron is now owned by the United States Steel Corporation?

Mr. GATES. Practically all of it, I think.

Mr. YOUNG. Only a few outstanding shares?

Mr. GATES. There might be a few shares of preferred outstanding; I think probably there are. There are usually a few people who try to get a fancy price for their last few shares.

Mr. YOUNG. You are now operating the Republic Iron & Steel Co. in the Birmingham region?

Mr. GATES. We have three furnaces down there and 1,000 coke ovens.

Mr. YOUNG. Are the conditions for the manufacture of pig iron by the Republic Iron & Steel Co., of Birmingham, as good as the facilities for the manufacture of pig iron by the Tennessee Coal & Iron Co.?

Mr. GATES. I think they are practically alike.

Mr. YOUNG. Practically, they are?

Mr. GATES. I think so.

Mr. YOUNG. And have you large properties belonging to the Republic Iron & Steel Co. at Birmingham?

Mr. GATES. We have three furnaces. I do not know what you would look at as large down there. We have an investment down there of ten or twelve million dollars. You might look at it as small.

Mr. YOUNG. Have you any estimate of the ore that you own—the number of tons of ore?

Mr. GATES. I thought you were investigating the United States Steel. Is the Republic on the stand?

Mr. YOUNG. Oh, no; only incidentally.

Mr. GATES. I do not believe I would care to answer that question.

Mr. YOUNG. Very well. I inferred from the questions of the chairman that perhaps it was believed that there was no company except the Tennessee Coal & Iron Co. that manufactured any large amount of ore at this price. It might have a bearing on the question of monopoly, as to whether there were any others that could do it.

Mr. GATES. I think we are making iron as cheaply as they are. I think Woodward is doing it as cheaply, and I do not know but Sloss-Sheffield; I have not seen their cost.

Mr. YOUNG. The conditions are about the same in all the Birmingham properties?

Mr. GATES. I think so.

Mr. YOUNG. The Woodward is a very fine property, is it not?

Mr. GATES. I have always regarded it as such.

Mr. YOUNG. Do you know anything about the extent of the Sloss-Sheffield and the Woodward properties, in a general way?

Mr. GATES. Yes; in a general way. I look at their statements pretty carefully, and the maps of their iron ore and coal, and try to find out all I can about it.

Mr. YOUNG. Do you know about what they are producing now?

Mr. GATES. Just now the iron business has a black eye.

Mr. YOUNG. During the last year about what was it?

Mr. GATES. The Sloss-Sheffield have about 125,000 tons of pig iron piled up down there.

Mr. YOUNG. That they can not sell?

Mr. GATES. They have not sold it; at least, they have that much there. It was 132,000 at the last report we had.

Mr. YOUNG. How is that with the Woodward; do you know?

Mr. GATES. I can not tell you. I hear only of the large stocks. That is a very large stock for the Sloss-Sheffield.

Mr. YOUNG. Does the Woodward manufacture anything besides pig iron?

Mr. GATES. I think not.

Mr. YOUNG. Does the Sheffield?

Mr. GATES. No; I think their product is pig iron.

Mr. YOUNG. That is all.

The CHAIRMAN. As I understand, going back to this original transaction, there was a certain bank there in New York—the Trust Co. of America—that needed ten millions of dollars?

Mr. GATES. Mr. Thorne told me he asked for ten million and got it.

The CHAIRMAN. They needed $10,000,000. They had a great number of securities of the Tennessee Coal & Iron Co.—this bank—held as collateral. They consented to transfer that collateral, that stock, from the Tennessee Coal & Iron Co. to the United States Steel Corporation in an exchange of stock?

Mr. GATES. You are mixed.

The CHAIRMAN. How was that?

Mr. GATES. I can only tell you that Mr. Thorne, the president of the company—I happened to be a stockholder at that time in the trust company—told me that he applied to the clearing house for ten millions of dollars and that the clearing-house committee sent over a committee to examine the assets under his loans and that they claimed to him that he had too much Tennessee Coal & Iron. Mr. Thorne was in this syndicate that bought the property. The trade was made by Mr. L. C. Hanna and Grant B. Schley, not by Mr. Thorne or by the Trust Co. of America.

The CHAIRMAN. I understand.

Mr. GATES. That stock was taken up and supplanted by steel second five's.

The CHAIRMAN. I do not think you caught my question, Mr. Gates. I have gathered—it was an impression made upon my mind rather than a fact that I recall from your testimony—that this ten millions of dollars was needed by this bank.

Mr. GATES. There was a run on them.

The CHAIRMAN. A run on the bank?

Mr. GATES. There was a line of people a block long.

The CHAIRMAN. It could not get the money until there was a transfer made of this stock from one company to another, and then the ten million was forthcoming; is that true?

Mr. GATES. I would not say that; I do not know about that. It might be the inference, but I would not want to testify to it, because I do not know the facts.

The CHAIRMAN. It is a fact that they did not get the $10,000,000 before, and they did get it shortly afterwards, is it not, Mr. Gates?

Mr. GATES. The facts were that the Trust Co. of America, I think, paid out over $56,000,000. The run started on them before I left France, starting in October, and it continued long after they got their $10,000,000. I think it continued until probably January before it stopped—December anyway.

The CHAIRMAN. You were speaking of the facility for assembling ores of the Tennessee Coal & Iron Co. and of getting an extra price for rails. If you had continued in business there in charge of that

plant and had perfected your rail plant, with your facilities for assembling ore and with the demand for open-hearth rails, could the United States Steel Corporation or any other concern have dictated the price of rails to you or to your concern?

Mr. GATES. My opinion would be that we would have been in the saddle in that territory. But where it is a question of rail transportation, two or three dollars a ton, we might have been at a disadvantage. But in that immediate territory we would have had the advantage.

The CHAIRMAN. What is the price of steel rails now; what are they quoted at?

Mr. GATES. I think open-hearth rails are quoted $29 and $30, and the Bessemer $28.

The CHAIRMAN. How long has that price remained unchanged, if it has remained unchanged?

Mr. GATES. Before the Sherman antitrust law took effect there was a rail pool—away back in 1884, 1885, or 1886—and that rail pool established a price on rails at that time, I think, of about $35. The price has varied between $35 and $15. The time the pool was knocked out, years ago, there was a fight, and then they would get back together. Then the Sherman antitrust act rather stopped this pooling business, and the price of rails has been, nominally, I think, about $28 for most of the time for 10 or 12 years.

The CHAIRMAN. What per cent of the rails of this country are made, by the United States Steel Corporation, approximately; do you know?

Mr. GATES. I do not think I could answer that definitely.

The CHAIRMAN. I am asking now simply for information as to matters that are generally known, simply to get them into the record. Are there any concerns, either nominally or actually independent, which are making any considerable percentage of rails? I mean indepent of the United States Steel Corporation?

Mr. GATES. Oh, yes. The Republic made rails for a good while; then they concluded they could make more money running their rail mill on tin and sheet bars, and we have had that on tin and sheet bars for several years. The Lackawanna Steel are rail makers; the Bethlehem Steel are rail makers; the Cambria Steel are rail makers; the Pennsylvania and the Maryland are rail makers; the Colorado Fuel are rail makers, and Jones & Loughlin are makers of light rails more than standards.

The CHAIRMAN. You have not any idea what per cent of the rails are made by the United States Steel Corporation?

Mr. GATES. No; I have not. I used to know what the percentage was.

The CHAIRMAN. You spoke of the price of rails having fluctuated?

Mr. GATES. Not much in 12 years.

The CHAIRMAN. Prior to the last 12 years they fluctuated, as you said, running from $16 or $17 up?

Mr. GATES. I was at the head of the Illinois Steel Co. for several years, and during that time we had a rail fight. The price was $23 one day; the next day it was $18, and the next day it was $15.

The CHAIRMAN. To what do you attribute this sudden stability in the price of rails for the last 10 years?

Mr. GATES. I am not a rail maker, and am not competent to answer that question.

The CHAIRMAN. You were asked about the quality of the Lake Superior ores, their excess of metallic content. I believe that is true, that they have a larger content of iron. In what way is that ore carried to the various manufacturers of steel? I mean, do you know what distance it is brought and over what lines?

Mr. GATES. I think the average haul is from 30 to 100 miles in Minnesota; and that ore is hauled by three railroads—the Eastern Minnesota, which is owned by the Great Northern; the Duluth & Iron Range; and the Duluth, Missabe & Northern. They are owned by the Steel Corporation.

The CHAIRMAN. Did you say all of them were owned by the Steel Corporation?

Mr. GATES. No. I think the Duluth, Missabe & Northern is owned by them; the Minnesota Eastern is owned by the Great Northern.

The CHAIRMAN. Can you, or any other manufacturer not in the United States Steel Corporation, secure ores from the Lake Superior region without at some point having your ores carried by the United States Steel Corporation?

Mr. GATES. One of those three roads would carry all the northern ores.

Mr. BARTLETT. You spoke about the Great Northern owning ore in that range. Is it not a fact that the Steel Corporation has entered into a contract with the Great Northern Railroad to purchase all their ore for years?

Mr. GATES. I understand——

Mr. BARTLETT. And while the Northern Railroad owns them, the United States Steel Corporation controls the output, and will for years; is not that a fact?

Mr. GATES. No, sir; that is not a fact. The Minnesota Eastern Railway is owned by the Great Northern Railroad. The Great Northern Ore Co. have sold their ore to the United States Steel Corporation. But it does not necessarily mean that that ore is to be moved over the corporation's railroad.

Mr. BARTLETT. That was not the purpose of my question.

Mr. GATES. I am explaining to you the situation as it exists. Most of the ore acquired by the Steel Corporation from the Great Northern Ore Co. lies contiguous to the Eastern Minnesota Railroad, and that ore has been sold, so Mr. Hill informs me, at a price f. o. b. boats Lake Superior ports, and the freight rate gets no bigger. Any ore hauled over the Duluth & Iron Range or the Duluth, Missabe & Northern pays an 80-cent freight rate.

Mr. YOUNG. Do you know anything about the terms of that contract, whether it is a direct sale or somewhat in the nature of a lease which can be thrown up?

Mr. GATES. I think it could have been thrown up up to a certain time, but I think that time has expired. I think it is now a lease in perpetuity.

Mr. YOUNG. Are you certain about this; do you know the date?

Mr. GATES. No; I would not be certain. I am very friendly with Mr. Hill, and I have talked to him many times, and that is my impression; but I may be wrong.

The CHAIRMAN. You spoke of an 80-cent freight rate. What is the distance of that haul?

Mr. GATES. Seventy to one hundred miles, I think.

The CHAIRMAN. What do they charge you a ton to haul that iron a mile?

Mr. GATES. It is about a cent a ton a mile.

The CHAIRMAN. Is ore about the same classification as coke?

Mr. GATES. Coal and coke and ore, I think, are in about the same class.

The CHAIRMAN. Which can be handled more cheaply, ore of that kind, or coke?

Mr. GATES. Ore can be handled more cheaply.

The CHAIRMAN. Explain that to the committee.

Mr. GATES. Ore is generally handled in what they call hopper-bottom cars containing 50 tons or more. That are is dropped into the car from the chute, and the car is unloaded by running it out on the trestle and dropping out the bottom.

The CHAIRMAN. How do they haul coke? Is it more expensive or difficult, and if so, in what way?

Mr. GATES. Coke is put into the cars, and if it is in box cars, they have to board up the sides, and they have to do it by hand, so it costs a good deal more money to load it and a good deal more money to unload it.

The CHAIRMAN. What does it cost you to transport coke per ton per mile?

Mr. GATES. That, of course, is another hypothetical question.

The CHAIRMAN. On an average?

Mr. GATES. On what average? From Pocohontas to Butte, Mont., or from Pocohontas to Columbus, Ohio? You see, there is such a tremendous range of variation.

The CHAIRMAN. I will put it this way. Take the lines of road over which this ore travels from the Lake Superior region to, we will say, the plant at Pittsburg. What is the rate on coke over that same line?

Mr. YOUNG. That would go the other way.

The CHAIRMAN. Going the other way, carried by the same rails, pulled by the same engines, but going in the other direction?

Mr. GATES. The rate would be less on coke than it would on the ores.

The CHAIRMAN. How much?

Mr. GATES. I would think varying rom 15 to 40 per cent less.

The CHAIRMAN. Is not coke carried over a good many of these roads in this country at 3 mills per ton-mile?

Mr. GATES. I think so; I think it has been carried at less than 3 mills.

The CHAIRMAN. Mr. Gates, you were connected at one time with the Consolidated Steel & Wire Co., of Illinois, were you not?

Mr. GATES. Yes, sir.

The CHAIRMAN. In what capacity?

Mr. GATES. General manager, director, and member of the executive committee.

The CHAIRMAN. In what year was that company formed?

Mr. GATES. You have me looking backward a good way. It was 1892 or 1893, I guess; 1891, 1892, or 1893.

The CHAIRMAN. Do you remember the amount of its capital stock and bonded debt?

Mr. GATES. It had no bonded debt. I think it had about four million capital issued.

The CHAIRMAN. Did it acquire other properties?

Mr. GATES. Yes; we were young and ambitious, and as fast as we got a little money we bought another property.

The CHAIRMAN. What other property?

Mr. GATES. Forty or fifty, I should say, one by one, beginning with the Washburn Wire Co., in Worcester, Mass., and extending to San Francisco.

The CHAIRMAN. After the acquiring of these properties——

Mr. GATES. They were not necessarily acquired by the Consolidated. Most of them were acquired by I. L. Elwood, recently deceased, and myself; but they were amalgamated eventually into the American Steel & Wire Co.

The CHAIRMAN. There was another organization called the Consolidated——

Mr. GATES. Consolidated Steel & Wire.

The CHAIRMAN. Of Illinois?

Mr. GATES. That was 20 years ago. The first wire corporation I was interested in was the Southern Wire Co., about 1880, in St. Louis. Then we acquired the St. Louis Wire Mill Co., and we built a concern near Pittsburg called the Braddock Wire Co. We operated those concerns separately in the early eighties. Later on we acquired a controlling interest in the Lambert & Sheffield Wire Fence Co., of Joliet, Ill., and one or two other companies, and then we formed the Consolidated Steel & Wire Co. of Illinois.

The CHAIRMAN. What was the value of that property?

Mr. GATES. What date—the date of its incorporation or the date of its amalgamation?

The CHAIRMAN. Say, November, 1897?

Mr. GATES. It had been out of business for years.

The CHAIRMAN. Was there ever an option given to Mr. Tenbroeck on that property?

Mr. GATES. No. He claimed there was, but he was never able to show it.

The CHAIRMAN. What time was that?

Mr. GATES. 1896 or 1897—along there.

The CHAIRMAN. Do you know the value of the property then?

Mr. GATES. Of the Consolidated?

The CHAIRMAN. Yes.

Mr. GATES. I have no idea.

The CHAIRMAN. Do you know about the cost of these properties?

Mr. GATES. Do you mean the initial cost or the cost as of the date of the turning over to the American Steel & Wire?

The CHAIRMAN. The date of the consolidation of the companies—about 1898.

Mr. YOUNG. The consolidation of the American Steel & Wire?

Mr. GATES. The Consolidated Steel & Wire Co. went into the American Steel & Wire Co. of Illinois at about $200 a share; perhaps a little less. The American Steel & Wire Co. of Illinois was merged into the American Steel & Wire Co. of New Jersey, which took over all the companies. Those companies in the meantime were generally purchased by Mr. Elwood and myself for cash and turned in at what we paid for them. We never attempted to make a dollar out of any purchase, directly or indirectly.

The CHAIRMAN. The A nerican Steel & Wire Co. was capitalized at what?

Mr. GATES. Forty million preferred and fifty million common.

Mr. YOUNG. That is the New Jersey Co.?

Mr. GATES. The New Jersey Co.; all issued.

The CHAIRMAN. Was this company, at the time of its first consolidation, capitalized at $24,000,000?

Mr. GATES. That was the American Steel & Wire Co. of Illinois, which was afterwards turned into the American Steel & Wire Co. of New Jersey.

The CHAIRMAN. What properties were acquired between the time of its capitalization at twenty-four millions and the time of its capitalization at seventy-five millions?

Mr. GATES. It was capitalized at ninety millions. The Washburn Manufacturing Co., of Worcester, Mass.; the Worcester Wire Co.; the Cleveland Wiring Mill Co.; the American Wire Co., of Cleveland; the R. B. Nail Co.; the Cincinnati Barb Wire Fence Co.; Oliver's concern, the Oliver Wire Co.—I can not remember them all; there are a great many of them.

The CHAIRMAN. Speaking approximately, do you remember what was the average price of barb wire, the kind used by the farmers as fencing, for the three years preceding the formation of the Consolidated Co.?

Mr. GATES. I can not keep those prices in my head. I started selling barb wire in 1874 at 20 cents a pound. We sold the same class of wire later at 1.7 cents per 100. There is the price, between $400 a ton and $34.

The CHAIRMAN. What is barb wire selling at now?

Mr. GATES. I do not know.

The CHAIRMAN. Such as is used for fencing?

Mr. GATES. I do not know. I have not asked a price on it. I should say it was 2 or 3 cents a pound, but that is just a guess.

The CHAIRMAN. Do you know the cost per ton of producing this wire, such as is used for fencing?

Mr. GATES. No; I could not tell you closely. I should say there was 10 or 15 per cent profit.

The CHAIRMAN. What was the effect on the price of wire nails and the other products in the American Steel & Wire Co.? Was there any variation in price after its formation immediately succeeding the formation of the American Steel & Wire Co., just prior to its sale to the United States Steel Corporation?

Mr. GATES. I do not believe there was much change. We tried to run the mills we could operate the most economically and shut down those that were the most expensive, and I do not think we particularly advanced the price. That is my recollection.

The CHAIRMAN. How many did you shut down, Mr. Gates; do you know?

Mr. GATES. Probably we had 50 and shut down 20—dismantled them.

Mr. BARTLETT. How many?

Mr. GATES. Two-fifths of the properties were probably dismantled—shut down and eventually dismantled, or concentrated. The machinery has been moved to our other plants; the machinery was not wasted.

Mr. BARTLETT. That is the usual way when you concentrate business into one central company?

Mr. GATES. That is the sensible way.

Mr. BARTLETT. Not only to shut down, but to dismantle?

Mr. GATES. Dismantle; yes. One superintendent does the work whether you are making 100 tons or 300 or 500.

Mr. BARTLETT. That, of course, lessens the number of employees?

Mr. GATES. Not necessarily.

Mr. BARTLETT. What becomes of the employees who were engaged in the plants that were dismantled.

Mr. GATES. They follow the men in charge; they go where the machinery goes.

Mr. BARTLETT. All the employees? There is no change in the number?

Mr. GATES. You may have five plants and you may be working 4,000 men in the five plants. You settle them in one central plant, and you may work only 3,700. You may save 300 men out of 4,000. It is not a material saving.

Mr. BARTLETT. Were these plants situated any considerable distance from the Consolidated plant?

Mr. GATES. One might be in San Francisco and another in Portland, Me. We might agree to settle back in Pittsburg.

Mr. BARTLETT. Where was the new Consolidated plant located?

Mr. GATES. The corporations have, I suppose, 20 plants now.

Mr. BARTLETT. Those employees in Boston or in California, when the plants were dismantled, did not follow up and get employment at these Consolidated plants?

Mr. GATES. About 90 per cent. Not all of them, but it is safe to say that about 90 per cent of the wireworkers would follow the plants—the skilled men. We had a plant at Everett, Wash., just out of Seattle; we dismantled that plant and I think moved it to Pittsburg.

Mr. BARTLETT. There is really a loss, so far as the employment of labor is concerned, of only about 10 per cent by this consolidation?

Mr. GATES. Yes; very small.

The CHAIRMAN. What was the approximate cost per ton for barbed wire such as is used for fencing in 1900, do you know? I do not ask to the cent, but approximately.

Mr. GATES. You are asking me an impossible question.

The CHAIRMAN. Do you know what it is now, or what it was in 1910?

Mr. GATES. The cost of production?

The CHAIRMAN. The cost of producing such as the ordinary wire that is used for fencing?

Mr. GATES. I answered that by saying that I thought they were making to-day probably 10 or 15 per cent on their output. If you get their selling price and take 10 or 15 per cent off of that, you will get about their cost price.

The CHAIRMAN. Do you mean the output of fencing wire?

Mr. GATES. On the average line. Some articles pay more than others. They will get $3,000 a ton for watch-spring wire, but would get very much less for common wire.

The CHAIRMAN. I am speaking of ordinary fence wire.

Mr. GATES. Have you ever had any experience in manufacturing?

The CHAIRMAN. Not of barb wires.

Mr. GATES. Do you realize how impossible it is to figure out what any one specific article cost when you are making 1,000? We might have, as an illustration, 1,000 nail machines in a mill. We might be making escutcheon pins out of No. 32 or No. 33 wire, three-sixteenths of an inch in length, and they might cost 10 cents a pound. We might be making a boat spike on the next machine, which would be of No. 2 or No. 3 or No. 4 wrought wire, 20 inches long, which would not cost a cent. If you come and ask me what it costs to make escutcheon pins, I have to get out a tabulated statement running over a term of months. The same is true of the different kinds of barb wire, the different kinds of plain wire. We go on an over-all proposition. The manufacturer tries to earn from 10 to 15 per cent on the output. Sometimes he sells it at 2 or 3 per cent; he may occasionally sell it at a loss.

The CHAIRMAN. I am speaking now of this ordinary woven wire.

Mr. GATES. You were talking about fence wire a moment ago. Woven wire, I think, pays 30 or 40 or 50 per cent, galvanized field fence wire.

Mr. MCGILLICUDDY. Why so large a profit in that line of wiring in comparison with the other?

Mr. GATES. It is supposed to be covered by patents, and each fellow claims he has a patent that is good and the other fellow's are bad, and he threatens every other fellow with a suit for infringement, and gets an extra price for doing it.

Mr. MCGILLICUDDY. What percentage of the iron ore of this country is owned or controlled by the United States Steel Corporation?

Mr. GATES. I could not tell you.

The CHAIRMAN. What was the basis of exchange of stocks between the American Steel & Wire Co. and those of the United States Steel Corporation at the time the corporation took over the American Steel & Wire Co.?

Mr. GATES. I am ashamed to tell you.

The CHAIRMAN. Overcome your modesty.

Mr. GATES. It is a matter of record; you may easily find it.

The CHAIRMAN. It is stated that the twelve million of the preferred American Steel & Wire——

Mr. GATES. We had forty million.

The CHAIRMAN (continuing). For twelve million of your preferred stock you got twelve, and seven million two hundred thousand of the common stock; for the twelve million of the common stock you got fourteen million four hundred thousand of common stock, or a total of $33,600,000.

Mr. GATES. Mr. Stanley, as a matter of fact, I think we got $46,800,000 of United States Steel preferred for the $40,000,000 of Steel Wire preferred, and between fifty and sixty million of common, perhaps a little over sixty, for the fifty million common, two or three times as much as that states. And yet the Steel & Wire Co. went into the United States Steel Corporation at a comparatively lower figure than any other concern.

The CHAIRMAN. What percentage of the business did the American Steel & Wire Co. own at the time it was acquired by the United States Steel Corporation?

Mr. GATES. Of the wire and nail business?

The CHAIRMAN. Yes.
Mr. GATES. Wire and its products?
The CHAIRMAN. Yes.
Mr. GATES. I should think we owned 75 to 85 per cent.
The CHAIRMAN. Did the United States Steel Corporation acquire any other properties producing similar products to yours at the time it acquired your property?
Mr. GATES. They acquired later the Union Steel Co., of Pittsburg, which was owned by Mr. Frick and the Mellens, largely, as I understood, I think $45,000,000. That was a wire plant.
Mr. YOUNG. Was that later than the organization of yours?
Mr. GATES. Yes; several years later.
The CHAIRMAN. What percentage of the business did they do at the time they were acquired?
Mr. GATES. Not very much.
The CHAIRMAN. Five or ten per cent; as much as that?
Mr. GATES. I would not care to hazard a guess, because I was never at the mill.
The CHAIRMAN. Do you know of any other properties they acquired producing similar products to yours?
Mr. GATES. I do not remember of any others.
The CHAIRMAN. The United States Steel Corporation was really formed by the merging of nine separate concerns, was it not, Mr. Gates?
Mr. GATES. I do not remember whether there were nine or what they were. I can call them over. There was the Carnegie Steel Co.—let me explain. The Federal Steel Co. was a holding company. The Federal Steel Co. owned the capital stock of the Minnesota Iron Co. The Minnesota Iron Co., in turn, owned the Duluth & Iron Range Railroad. They owned the Loraine Steel Co., of Loraine, Ohio, and the Illinois Steel Co. of Chicago. So that in the turn-in of the Federal Steel Corporation into the United States Steel they really got three separate and distinct corporations, good-sized ones. Then the Carnegie would be four, the National would be five, and the Hoop would be six, the Tin Plate would be seven, the Wire would be eight, the Tennessee Coal & Iron would be nine, the American Sheet Steel would be ten, the American Bridge would be eleven. There were 11 or 12 concerns. The National Tube would be twelve.
The CHAIRMAN. I was speaking of the Federal Steel Co.
Mr. GATES. The Federal Steel Co. is a holding company.
The CHAIRMAN. As one concern; just as you speak of the United States Steel Corporation as one concern, although there are many concerns in it. I am not now counting them as operating companies but as corporate entities.
Mr. GATES. The Illinois Steel, you know, was an operating company, and the Loraine Steel was an operating company, and the Minnesota Iron, and are to-day.
Mr. YOUNG. The Illinois Steel Co. itself was formed by a consolidation of a number of other companies, was it not?
Mr. GATES. The Illinois Steel Co. was formed by an amalgamation of the North Chicago, the South Chicago, the Union, the Joliet, and the building of the New South works.
Mr. YOUNG. Did it take in that Milwaukee property?

Mr. GATES. That is the North Chicago Rolling Mill. They had two plants, one at North Chicago and one at Bayview, or South Milwaukee.

Mr. YOUNG. That was really the beginning of the consolidation in the steel business, was it not?

Mr. GATES. I think so; yes. That was about 1888 or 1889.

Mr. YOUNG. Then the next step was the formation of the Federal Steel and the acquisition by it of the Minnesota Iron Co. and the Loraine, in addition to the Illinois, was it not?

Mr. GATES. Yes. That came about in this way: Many of the stockholders of the Minnesota Iron Co. were stockholders in the Illinois Steel.

Mr. GATES. I thought I saw evidence of an attempt to push up the price of ore, so I went out and acquired some ore properties for the Illinois Steel, which made rather hard feeling between the directors of the two corporations, and resulted in the amalgamation.

Mr. YOUNG. You were connected with the Illinois Steel at that time?

Mr. GATES. Yes, sir.

The CHAIRMAN. The companies to which I referred as merged at the time of the formation of the United States Steel Corporation are the Carnegie Co., the Federal Steel Co., the National Tube Co., the American Bridge Co., the Lake Superior Consolidated Mines, the American Steel & Wire Co., the National Steel Co., the American Steel & Hoop Co., the American Tin Plate Co., and the American Sheet Steel Co. Were there any other companies?

Mr. GATES. In the word "Federal" you have three concerns.

The CHAIRMAN. I understand. It was the holding company. Were there any other concerns merged at the time of the formation of the United States Steel Corporation other than those I have named?

Mr. GATES. No; I think that was all. But there was the Pittsburg Steamship Co. and the American Steamship Co., two lines of steamers on the Lakes,

The CHAIRMAN. Were they independent concerns not identified with any of the companies I have named?

Mr. GATES. The American Steamship Co. was a concern which I built and had been president of from its start. I think we had 12 ships. The Pittsburg Steamship Co. was built by Henry W. Oliver and Mr. Carnegie and Mr. Frick and that crowd. It was a pretty important concern. Then there was the Elgin, Joliet & Eastern Railroad; the Chicago, Lake Shore & Eastern Railroad; the Union Railroad; the Duluth Iron & Range; H. C. Frick Coke Co.——

The CHAIRMAN. I am speaking of these carriers. Before they were taken over by the United States Steel Corporation were they competing railroads?

Mr. GATES. Yes.

The CHAIRMAN. Are they owned absolutely now by the United States Steel Corporation as part of its property?

Mr. GATES. Yes.

The CHAIRMAN. Are they still engaged as common carriers?

Mr. GATES. Yes; they are common carriers. They publish a tariff the same as everybody else.

The CHAIRMAN. But they are part of the property of the Steel Corporation. Mr. Gates, these concerns were merged at one time, I believe—that is, the Federal and the——

Mr. GATES. Well, the companies in that list that you read over were put together about one time. Then, of course, the Tennessee came several years later.

The CHAIRMAN. Do you know how long negotiations were pending before your companies, the Carnegie Co. and the rest of them, became merged in what is now known as the United States Steel Corporation?

Mr. GATES. Well, to go back and give you the history, the price of steel became very badly demoralized——

The CHAIRMAN. How is that?

Mr. GATES. The price of finished steel became very badly demoralized in 1896 or 1897; and at that time I think Mr. Frick, Judge Moore, of New York—W. H. Moore—and one or two colleagues, conceived the idea of getting an option from Carnegie on the Carnegie Steel Co. This was before the formation of the United States Steel. They got it. They paid Mr. Carnegie $1,000,000 in cash for that option; but the demoralization became so great in the iron and steel business that it was not possible for Mr. Frick, Judge Moore, and colleagues, to put it through, and they had to forfeit that $1,000,000, and Mr. Carnegie took it.

The CHAIRMAN. What was the amount of the option?

Mr. GATES. I think it was $160,000,000, if I remember.

The CHAIRMAN. I was under the impression that it was $100,000,000, in round numbers.

Mr. GATES. I think it was $160,000,000. They forfeited that. Then came the Lorain and Federal. The Federal Steel Co. was formed by the acquisition of the Lorain and the Elgin, Joliet & Eastern Railroad, which was owned by Morgan and friends and the Minnesota Iron and Illinois Steel; and they became the Federal Steel Co. The Federal Steel Co. was formed in 1898, and in 1901 became part of the United States Steel.

The CHAIRMAN. Prices became stable, or at least more stable, along about 1896 to 1897, did they not?

Mr. GATES. I think they got worse at that time. That is my recollection.

The CHAIRMAN. Or 1898?

Mr. GATES. Along about 1898 or 1899 they got better. In 1901 they were very good.

The CHAIRMAN. The United States Steel Corporation was formed about 1901, was it not?

Mr. GATES. 1901; yes, sir. It started in 1900 and finished in 1901.

The CHAIRMAN. At that time was there any danger of a second demoralization in prices on account of the attitude of Mr. Carnegie toward the rest of these concerns? I believe up to that time a great many of them had been getting certain products from him, and manufacturing certain products themselves. In other words, along in 1898 or 1899 the Federal Steel Co. had its orbit or its scope of activities pretty well defined, did it not, and the other companies in the same way? Each had its own sphere of operations? They did not impinge one upon the other to any great extent?

Mr. GATES. Well, I would have to explain by making a statement. Mr. Morgan, along about 1899 or 1900, organized the National Tube Co. by the acquisition of the stock of the National Tube Co., just out of Pittsburg, and the Riverside Steel Co., near Wheeling, and two or three more tube concerns, and they were making a good deal of money in the manufacture of tubes. Mr. Carnegie took it into his head that he would build a railroad from Lake Erie points—from some point on Lake Erie to his various works around Pittsburg—and that he would also build a tube works; and he proposed to build this tube works, if my memory serves me aright, at Ashtabula, Ohio, where a great deal of the ore is unloaded. Mr. Hill and Mr. Morgan had dined together—James J. Hill—and Mr. Morgan had expressed to Mr. Hill the fear that if Carnegie went into the building of railroads he would demoralize the entire railroad situation as he had demoralized the steel situation, and that if he built a tube works at Ashtabula it would result in a demoralization of the prices of tubes. Mr. Morgan had just put the National Tube Co. together. After considerable talk between Mr. Hill and Mr. Morgan, Mr. Hill suggested to Mr. Morgan that he talk to me. Mr. Morgan said that we were not very friendly, and he asked Mr. Hill to come over to see me and see if I would meet him and talk about the situation, which I agreed to do. I had a talk with Morgan, and he asked me how I would suggest we could stop Carnegie from building this railroad and building this tube works; and I told him in my opinion there was only one man to talk to that had any influence with Mr. Carnegie, and that was Charley Schwab. He wanted to call in Frick. I said, "If you do, you will never make a trade with Mr. Carnegie." Well, he said, "Will you get Schwab on for a conference?" I said I would. I asked him where he wanted the conference, and he said he would prefer to have it at Philadelphia at the Bellevue-Stratford Hotel—no, the Bellevue Hotel. The Stratford was not built. I called Charley up on the telephone from New York and asked him if he would come over to Philadelphia, and intimated to him it was something pretty important. He said he would come over that night.

Next morning was very stormy. It snowed and blew and was very cold, and Mr. Morgan called my son up and asked him to come over.

He went over, and Mr. Morgan explained to him that he had got a severe cold and his doctor would not let him go out; that he was afraid he would catch more cold; and would he go back and get me to arrange to have Schwab come on to New York. My son came back and reported to me, and I called Mr. Schwab up—he was at the Bellevue Hotel at Philadelphia—and asked him to come over. He came over and dined with me at the Manhattan Club, and we went up to Mr. Morgan's house about 9 o'clock in the evening. We discussed the possibility of pouring oil on the troubled waters and saving the situation. I think Mr. Schwab and I stayed there until about 6 o'clock the next morning. When we left a tentative plan had been drawn up for the purpose of getting the various corporations into one concern. Judge Moore, who was in the National Steel Co.——

The CHAIRMAN. I do not want to interrupt you, but the one concern to which you referred was the embryonic United States Steel Corporation?

Mr. GATES. The United States Steel Co. Judge Moore and Mr. Frick felt very sore over the $1,000,000 that they had paid to

Carnegie, for which they got nothing. Schwab stated that Mr. Carnegie would agree to anything he would suggest. He pulled a letter out of his pocket and showed it to Morgan and me, showing that he had a contract with Carnegie to pay him $1,000,000 a year for five years. We went on and laid out the plan of the United States Steel Corporation without consultation with Frick, who was a large owner. Then, as I understood it—but this only hearsay evidence——

The CHAIRMAN. Explain that plan as you go along.

Mr. GATES. It was the plan that was adopted.

The CHAIRMAN. That is, for a holding company?

Mr. GATES. For a holding company. Judge Moore got hold of Carnegie, I was told, and said to Carnegie: "If you are going to take bonds in payment of your property, make those bonds cover the National Steel Co. as well as your own." Now, Mr. Carnegie demanded that of Morgan, and it enabled the National Steel Co., in my opinion, to get $50,000,000 more for their property than it was worth, because Carnegie would not turn his over unless they had a mortgage on the National, and the rest of us had to suffer. That is about the history of the United Steel.

The CHAIRMAN. You spoke about pouring oil on the troubled waters and relieving the situation. What was the trouble with the situation?

Mr. GATES. The trouble was that Carnegie had threatened to build the tube mill at Ashtabula and a railroad to haul his own ore down.

The CHAIRMAN. He was going to build a railroad to come into competition with the existing railroads?

Mr. GATES. Yes; and a tube plant to tear the National Tube, that Morgan had just put together, all to pieces.

The CHAIRMAN. He was going to give Morgan trouble, both in his manufacturing industry and with his common carrier?

Mr. GATES. It looked that way.

The CHAIRMAN. And it was to obviate this anticipated competition that this tentative plan was drawn up that afterwards became the United States Steel Corporation?

Mr. GATES. Yes, sir.

The CHAIRMAN. How long was it from the time you got started until this industrial accouchement actually occurred?

Mr. GATES. It was 60 days, I should say, or less—maybe 40 days. We worked pretty fast.

The CHAIRMAN. There was a thorough understanding, except as to details, as to the method of operation and what each man was to get, and what his relations were to be to his fellows, before the articles of incorporation were ever drawn up, was there not?

Mr. GATES. I think they drew up the articles of incorporation for the United States Steel Corporation originally for $10,000, and then they gradually extended it as necessity arose. As each concern came in they would increase a few million or hundred million.

The CHAIRMAN. Mr. Carnegie, I believe, got $320,000,000 in bonds, did he not, for his property—for the Carnegie Co.?

Mr. GATES. He got $320,000,000 for what he had offered at $100,000,000 or $160,000,000 the year before, and got $1,000,000 forfeit.

The CHAIRMAN. Do you remember the suit between Frick and the Carnegie Co.?

Mr. GATES. Very well.

The CHAIRMAN. Is that the same property that was mentioned in that answer, that sworn reply, as being worth, according to book values, about $76,000,000?

Mr. GATES. I think that is the same.

The CHAIRMAN. The same property that was afterwards sold for $320,000,000 in bonds?

Mr. GATES. It was $320,000,000 for Mr. Carnegie's interest.

The CHAIRMAN. $320,000,000 for Mr. Carnegie's interest?

Mr. GATES. Mr. Carnegie's interest was a controlling interest, but it was nowhere near a hundred per cent interest. I think the basis of the Carnegie Steel Co. was in the neighborhood of $500,000,000.

The CHAIRMAN. What did the Carnegie interest bring, altogether?

Mr. GATES. I say, approximately, $500,000,000.

The CHAIRMAN. This company is now made up of bonds, preferred stock, and common stock. You hold some of it yourself, do you not?

Mr. GATES. Yes, sir; I always have.

The CHAIRMAN. The bonds are, of course, a lien upon the property of the company. That is a first lien, is it not?

Mr. GATES. Let me explain. To begin with, the interests that were turned in to the various corporations had some underlying bonds. Some of those are paid off and some of them are still in existence. That made one class of securities. Then another class of securities would be a first-mortgage bond, which the corporation caused to be issued to Mr. Carnegie, known as the Carnegie Steel Co. first mortgage fives. Then there are the bonds of the various subsidiary companies—the railroad and steamship lines and so on—amounting, as I saw a statement yesterday or the day before, to something like $600,000,000. Some of them are seconds and some are prior liens. Some are purchase-money mortgages; and, really, what the bonded indebtedness of the Steel Corporation is, I do not know.

The CHAIRMAN. Then you have so much preferred stock?

Mr. GATES. I think they have about $325,000,000 of preferred and about $525,000,000 of common.

Mr. YOUNG. There was some adjustment of bonds between these steel companies and the corporation, was there not, by which they took up some preferred stock?

Mr. GATES. Yes. The original capitalization of the Steel Corporation, as I remember it, was $525,000,000 of preferred and $525,000,000 of common, plus the Carnegie bonds, plus the purchase-money bonds, and plus the mortgages on the steamships or railroads that they acquired. Then they conceived the idea of turning in $200,000,000 of 7 per cent cumulative preferred stock and taking in lieu of that $200,000,000 of second-mortgage fives. That exchange was engineered about 1903 or 1904, and that was done to effect a saving in the amount of money they would have to pay out in dividends. In other words, a man would rather have second mortgage 5 per cent bonds than 7 per cent preferred stock in an exchange and lose 2 per cent of his revenue.

Mr. YOUNG. And have a safer security?

Mr. GATES. Well——

Mr. YOUNG. He assumed it was safer, if he took it?

Mr. GATES. I assume he thought so, or he would not have exchanged. From time to time those second-mortgage bonds that were issued were added to, until I saw a statement yesterday, I think, that there are in the neighborhood of 500,000,000.

Mr. BARTLETT. All bonds of the Steel Co., you mean?

Mr. GATES. No, no, no; second mortgage. There is the prior lien, the purchase money, the first mortgage, and the acquisitions under the subsidiary companies. I do not know what they amount to, and I do not bother my head with them. They have a good many mortgages on their property, but they have a great deal of property and a very valuable one.

The CHAIRMAN. There was a good deal of comment at the time, and a good many assertions made. One was that the tangible property was represented in actual value by the bonds and preferred stock. In other words, that if you took the bonds and preferred stock you had about, approximately, the value of the concern. Do you know anything about that—I mean, at the time it was formed?

Mr. GATES. You might pick three expert appraisers to appraise the value of the United States Steel Corporation, and they might vary their appraisement somewhere from five hundred million to a billion of dollars; so I am not going to attempt to appraise other people's property.

The CHAIRMAN. You own stock in it?

Mr. GATES. I own some of it.

The CHAIRMAN. Do you own any of the common stock?

Mr. GATES. Yes, sir.

The CHAIRMAN. Do you consider that there is any real tangible value behind the common stock?

Mr. GATES. I decline to answer.

The CHAIRMAN. What was your answer?

Mr. GATES. I decline to answer. I am not supposed to be the appraiser of the Steel Corporation.

The CHAIRMAN. I understand. I am just asking you now simply as an individual.

Mr. GATES. Well, I am declining as an individual.

The CHAIRMAN. All right. I will not insist. It would be a mere estimate. Up until the time of the formation of this United States Steel Corporation, as you say, there was friction or competition and threatened competition between these various concerns—between Mr. Carnegie and the tube works and the others to a greater or less extent. What was the effect of the formation of this concern as to the competition between its component parts? Was there any competition between them after that possible?

Mr. GATES. I would not think there would be. I have never heard of any.

Mr. BARTLETT. The price of steel rails, for instance, had been fluctuating from $17 up, had it not?

Mr. GATES. I think I testified that I thought the price of steel rails had been practically a fixed price for 10 or 12 years.

Mr. BARTLETT. Yes; but I was going to ask you whether or not, about the time of the consolidation, they were not about seventeen and a half a ton, and after the consolidation they went to $28 a ton?

Mr. GATES. The price of steel rails in 1900, if my memory serves me aright, was about $28; and they are $28 to-day.

The CHAIRMAN. You have made steel rails?

Mr. GATES. Yes, sir; the Illinois Steel Co. was and is the largest maker of steel rails to-day, I think.

The CHAIRMAN. Were steel rails ever made in this country at a cost of, say, from twelve to thirteen dollars a ton?

Mr. GATES. Yes; I think Carnegie and the Illinois Steel Co. made rails at approximately $13 or less. I would like to explain that. They made that, based on a very low labor cost, on very low prices for iron ore; they made it, based on $1.90 for iron ore delivered at South Chicago, which to-day is selling for $4 and $4.50. They made it on 85 or 87½ cent coke, which is to-day selling at $1.50 to $1.60. So that you must not attempt to confuse the prices of to-day with the prices along in 1896 or 1897, when everything was in a thoroughly demoralized condition.

The CHAIRMAN. Prior to that time, I believe Mr. Schwab testified that under normal conditions they could make rails at a cost of about $12 or $13 a ton. He said they had done it before that period.

Mr. GATES. I testify that I have seen Carnegie's cost, I think, at a trifle under $13, and the Illinois about the same.

Mr. YOUNG. Did that include all the costs of the mill, or merely——

Mr. GATES. When we make a cost sheet we cover everything. To give you an idea of the difference in labor: At that time the labor of the sailor gang around the mill, which is the roustabout labor, I think was about 9 cents an hour. To-day it is about 18 or 20 cents an hour.

Mr. YOUNG. Do you know what the cost of the labor was of the men in the Lake Superior district, where you were getting that cheap ore?

Mr. GATES. About 40 per cent of what it is now I would say,

The CHAIRMAN. Has there been any marked improvement in plant and machinery——

Mr. GATES. What is that?

The CHAIRMAN. Has there been any marked improvement in plant and machinery—plant and apparatus necessary for the manufacture of rails—between that time and this? I refer to the capacity of the furnaces and the like.

Mr. GATES. Yes; there are improvements every year, and probably will be for many years to come. Some years the improvements cut off quite an amount per ton. Some years they cut off only a few cents.

The CHAIRMAN. What has been the improvement in the capacity of blast furnaces between that period and this?

Mr. GATES. Well, I could best answer that by telling you that in 1896, 1897, and 1898 we had one blast furnace at Chicago which, I think, was No. 7, which made somewhere from 500,000 to 800,000 tons of pig iron without relining, running two or three years. No. 6 or No. 5, adjoining it, probably had to be relined half a dozen times during that time. There is a good deal of luck in running blast furnaces, as well as science.

The CHAIRMAN. I am speaking now of the capacity of the furnace.

Mr. GATES. The capacity of those furnaces——

The CHAIRMAN. Has that been improved materially?

Mr. GATES. I do not know of any marked improvement in blast-furnace practice in 10 years—not a marked improvement. There has been a little.

The CHAIRMAN. In what machinery have you had marked improvement, taking everything—methods of transportation and everything else, from the ore mine to the rail?

Mr. GATES. Now you are asking me an impossible question that I will not attempt to answer. You ask about blast-furnace operation and then you include transportation.

The CHAIRMAN. No——

Mr. GATES. Transportation from the upper lake ports is the same to-day as it was 15 years ago—80 cents on the ton; so you can not say that there is an improvement there, because the cost of transporting is the same.

The CHAIRMAN. The actual cost of transporting, I assume, Mr. Gates, is less, although the charges may be the same?

Mr. GATES. To an outsider they are not; but when you take the blast-furnace operations, I understand blast-furnace practice. You put a man in charge of a blast furnace and you expect him to get results, and you do not have any talk from him except the time he takes and what it costs him to operate that furnace. What his burden of ore costs him, what is the amount of dolomite or limestone or flux, how much coke it takes per ton to produce a ton of pig iron, or what the general costs are, and things of that kind included under blast-furnace operation, I can not mix up with the operation of steamships or railroads and give an intelligent answer.

The CHAIRMAN. I was speaking first of the blast furnace and you answered my question about that, Mr. Gates, satisfactorily; or, at least, as completely as you could.

Mr. GATES. Yes.

The CHAIRMAN. Then I asked another and broader question as to whether there had been any improvement in other methods of manufacture, and in facilities for transportation, such as to reduce the cost per ton. I do not mean the labor cost, but I mean the cost of the machinery that is used for the operation of the apparatus.

Mr. GATES. I will answer that by saying that 12 years ago, I think, we decided to build four boats for lake transportation of ore, the *James J. Hill*, the *William Edenborn*, the *I. L. Ellwood*, and the *J. W. Gates*. We built those boats about 500 feet on the water line and 31 or 32 feet in the molded hold, to carry about nine to ten thousand tons of ore. The old people on the Lakes told us that we had built such large boats that we never could operate them successfully. Now they are building boats 610 feet in length, which will carry 20 to 30 per cent more ore than those that we built 12 years ago. Of course, the larger you get the unit the cheaper you can transport everything.

The CHAIRMAN. Yes; exactly. What I wanted to get at was this: There has been a general reduction, not in the price to the man who has to use these things, but a general reduction in the actual cost of transportation from the ore beds to your furnaces, has there not?

Mr. GATES. Everything except labor, which has gone up about 75 to 100 per cent.

The CHAIRMAN. Now, have the improvements in methods of manufacture and in the facilities for transportation compensated you for the increased labor cost?

Mr. GATES. No, sir. In other words, we can not produce a ton of pig iron to-day within two or three dollars a ton as low as we could back in the nineties. I think they produced a ton of pig iron at Birmingham at $6 a ton. They can not do it to-day at approximately better than $9.

The CHAIRMAN. Would you say it costs you $3 more to produce a ton of steel rails now than it did in 1890?

Mr. GATES. From $3 to $8 more. I would put it that way—from $3 to $8. Labor has entered enormously into the cost.

Mr. MCGILLICUDDY. Is it true that in this development from year to year your labor has become more productive and efficient?

Mr. GATES. Scientific labor generally improves from year to year, but common labor has not changed much.

Mr. MCGILLICUDDY. Do you think there is an improvement?

Mr. GATES. No, sir; I do not think so, particularly; I do not think it is perceptible.

Mr. MCGILLICUDDY. What is the cause of the increase in the cost of labor?

Mr. GATES. What is it?

Mr. MCGILLICUDDY. What is the cause of the increase in the cost of labor?

Mr. GATES. Well, I do not think we get as good labor to-day at the mills as we did 10 or 20 years ago. We get more of the foreign element.

Mr. MCGILLICUDDY. You say you do not get as good labor to-day, and not as productive, and you are paying more for it?

Mr. GATES. I should say 70 per cent.

Mr. MCGILLICUDDY. What is the cause of that increase?

Mr. GATES. You could make a good many answers to that question..

Mr. MCGILLICUDDY. I do not hear you.

Mr. GATES. You could make make a good many answers, and all would be honest, to that question.

Mr. MCGILLICUDDY. What is your answer?

Mr. GATES. I do not believe I want to answer that.

The CHAIRMAN. What is the question?

Mr. MCGILLICUDDY. I asked him what is the cause of the increase in the cost of labor.

The CHAIRMAN. Have you any objection to answering that?

Mr. GATES. I would rather not.

The CHAIRMAN. I always like to defer to the wishes of a witness, but I will say that I do not see any possible——

Mr. GATES. I could only give you my opinion.

The CHAIRMAN. That is all he wants.

Mr. MCGILLICUDDY. That is all anybody could expect.

Mr. GATES. I would rather not do it.

The CHAIRMAN. I will say, Mr. Gates, that as it is a matter of opinion I do not care to press you for your opinion.

Mr. GATES. I would rather not.

The CHAIRMAN. I will waive that, and I think Mr. McGillicuddy will.

Mr. BARTLETT. I consent that Mr. Gates need not answer that question, but I do not want to go down on record as saying that as to other witnesses——

The CHAIRMAN. No; it is not to be a precedent.

Mr. BARTLETT (continuing). That it is a precedent for other witnesses, because, as we all know, while it is a matter of opinion, opinions sometimes rise to the position of facts—the opinions of experts.

Mr. GATES. I supposed this was a commission to investigate facts, and not the opinions of individuals.

Mr. BARTLETT. That is true; but opinions sometimes, in some investigations, both in court and elsewhere, become absolute facts upon which to base findings.

Mr. GATES. As I understood, I was called to testify regarding the formation of the American Steel & Wire and the amalgamation of the Tennessee Coal & Iron; and I have tried to be very frank.

Mr. BARTLETT. I know you have.

The CHAIRMAN. You have been very kind, Mr. Gates, and for that reason, as you have shown a willingness to answer frankly, while I feel that the chairman would have a perfect right to insist upon an answer to the question, I will exercise my discretion and suggest that we excuse Mr. Gates from answering, at his request and not as a matter of right, but as a matter of grace.

Mr. GATES. Thank you.

Mr. BARTLETT. I can readily see why a gentleman engaged in a large manufacturing business might not want to state why they have increased wages. All of us can reason, in many instances, why they have been increased. I do not think it is material to this investigation right now, but it may become material after awhile.

Mr. GATES. I thank you for excusing me.

The CHAIRMAN. Mr. McGillicuddy's question, I think, is one that should be gone into later, but we need not prove it by this witness.

Mr. BARTLETT. Oh, no.

The CHAIRMAN. Mr. Gates, I want to call your attention to an article that appeared a short time ago, by Mr. Berglund, in his History of the United States Steel Corporation. He says, speaking of the consolidation of these various concerns into the United States Steel Corporation and other allied concerns:

> That the consolidations of the time were a factor influencing prices can be seen in the cases of the American Tin Plate and the American Steel & Wire Cos. These companies had something of a monopoly of the market in their respective lines, and this monopoly was reflected in the prices of the period. Shortly after the organization of the American Tin Plate Co. in December, 1898, the price of coke tin plate (14 by 20) was raised from $2.70 per 100-pound box to $3 at the mill. Quotations in the leading centers of trade in the northeastern part of the country were upward of $3.20 per 100-pound box. During February, 1899, the average price was $3.55. By the end of the year it was $4.84, and it remained at this figure during a large part of the following year. In like manner, after the organization of the American Steel & Wire Co., there was a great rise in prices. Wire rods, which sold for $20 to $22.50 per ton in 1898, were quoted at steadily increasing prices during 1899. By January, 1900, the price had reached $50 per ton. Wire nails, which had been quoted at $1.40 to $1.50 per 100-pound keg in 1898, were steadily raised in price during 1899, until they were quoted at $3.20 in the early months of 1900—a higher figure than that reached under the régime of the notorious wire-nail association of 1895 and 1896.

Now, to what do you attribute that sudden rise? Is that statement of the oscillation of prices by Prof. Berglund correct, approximately?

Mr. GATES. I do not remember anything like the details. Nails went up along in 1895 or 1896 to about $3, under some kind of manipulation, and then I think they went up to about $3 again, but I do not remember what the facts were.

The CHAIRMAN. That was due, I presume, in great measure to the facility enjoyed by these associated concerns in coming to a price and in holding it there?

Mr. GATES. Well, I assume a good many of the smaller manufacturers got scared when they saw the big concern, and they came in and sold out at any figure they could get, fearing that they were going to be wiped out; and the contrary thing happened, and the prices went up instead of down. I do not remember, but I am giving you my offhand theory.

The CHAIRMAN. Now, Mr. Gates, as I understand it, these companies, several of which I have read to you (this going to all of them), the Tube Co., the American Steel & Iron Co., and the Federal Steel, and the rest of them—these companies that I have named to you—each enjoyed the same condition of affairs in 1907 and 1908, did they not? The Carnegie Co., the Federal Steel Co., the Tube Co., the Bridge Co.—all enjoyed an increase in the price of their product immediately after their perfection or their organization?

Mr. GATES. Well, I would not be clear as to that.

The CHAIRMAN. Was there not a general rise in the price of steel products during that period?

Mr. GATES. It might have risen before they actually got into operation. The feeling of the buyer might have been that: "This is the end of hostilities," and that, in itself, would give a momentum to the market. Merchants speculate by buying more goods than they want, if they are going up, and that might have had considerable to do with the advance in price just after the United States Steel Co. began business.

The CHAIRMAN. I am speaking now about that period that elapsed between the demoralization of prices in 1896 and the formation of the United States Steel Corporation. There was an interregnum there in which these various concerns that afterwards became component parts of the corporation were themselves organized?

Mr. GATES. Yes.

The CHAIRMAN. They were organized by the absorption of hundreds of hitherto competing concerns, were they not, Mr. Gates?

Mr. GATES. No. You take the Wire Co., in which I took an important part as to its formation. We bought out wherever we could for cash. Wherever we could not buy out we persuaded them to take the securities in the new corporation, and I think that was finished on the 18th of January, 1899, and from that time on the prices of wire goods were very good. Prior to that time they had been very low.

The CHAIRMAN. The more of these concerns you were able to get the better you were able to secure the prices you desired, were you not?

Mr. GATES. The control of the market necessitated getting a majority of the producers.

The CHAIRMAN. Exactly. I understand. Now, this was the situation, I believe, for a while: These various concerns practically had control of the markets to which they sold; that is, for a while the Federal Co. had control of the market to which it sold its product?

Mr. GATES. No——

The CHAIRMAN. And the Tube Co. had control of the market to which it sold its product?

Mr. GATES. The Tube Co. had control, and the Wire Co., but Carnegie and the Federal were fighting it.

The CHAIRMAN. They were fighting. Now, it was to prevent that competition or that fight from getting general all along the line that this organization was created and perfected?

Mr. GATES. That is a pretty hard question to answer. You are asking me what was in Mr. Morgan's mind.

The CHAIRMAN. He did not make any secret about it, did he? He did not make any secret about what was in his mind?

Mr. GATES. Get him down here and let him tell you. [Laughter.] He is gettable. I do not want to assume what was in Mr. Morgan's mind when he agreed to put through the United States Steel Co.

The CHAIRMAN. You were trading, too, Mr. Gates?

Mr. GATES. Oh, yes; I was shuffling around there a little. [Laughter.]

The CHAIRMAN. But what was in everybody's mind at that time, as you have said, was to get oil on the waters and to relieve the situation. Was not that right?

Mr. GATES. Yes, sir.

The CHAIRMAN. I understood you that way.

Mr. GATES. Yes, sir.

The CHAIRMAN. I am now trying to get at what was the trouble. Was it not competition and threatened competition between these companies?

Mr. GATES. It was the threat of Carnegie to build a railroad from Ashtabula to his works at Pittsburg and to build a tube plant in competition with the National Tube Works, which Morgan had just finished.

The CHAIRMAN. Was not he also threatening to go into the entire iron and steel business—that is, to compete with the Bridge Co. and with the Steel Hoop Co. and the Sheet & Plate Co.? Was he not threatening to do all those things?

Mr. GATES. Mr. Carnegie had been in the wire business and we bought him out. He put in $1,000,000 and we bought him out for half a million. [Laughter.]

The CHAIRMAN. Was he not threatening to go back into that business?

Mr. GATES. We never had any fear of Carnegie.

The CHAIRMAN. Mr. Carnegie was also threatening to go into the tin-plate business, was he not, at that time?

Mr. GATES. I guess he was threatening the whole line.

The CHAIRMAN. He was threatening the whole line?

Mr. GATES. He was trying to sell out, and he bought, you see, at a good price. [Laughter.]

The CHAIRMAN. And the result of this threat along the whole line enabled him to sell this property that he had given an option on at $150,000,000 for about $500,000,000?

Mr. GATES. That is inference on your part. The facts are that he gave an option for $100,000,000 or $160,000,000 and got $320,000,000 a little later.

The CHAIRMAN. Do you know of any other reason for his making this advantageous sale, if it was advantageous, than this disturbance of the water and the threats made?

Mr. GATES. You will have to ask Mr. Carnegie what he had in mind. He used to talk to me.

The CHAIRMAN. Did he acquire any other plants about that time that you know of that increased the value of his property in any other way?

Mr. GATES. I do not think he did. We bought Mr. Rockefeller out. He had a plant at Everett, Tenn. I made a trade with him. Before I made it he informed me that he could build a blast furnace and steel works to put us out of business; but the answer is he did not do it. We bought him out at 30 cents on the dollar of what he paid.

Mr. BEALL. At the time this consolidation was made, what was the general line of manufacture that the Carnegie Co. was engaged in?

Mr. GATES. Outside of tin plate, light sheets, hoops, wire, and tubes, they made a very full product.

Mr. BEALL. What is that?

Mr. GATES. They made a very full product, outside of the articles I have mentioned.

Mr. BEALL. The Federal Steel Co.—what articles were they making?

Mr. GATES. The Federal Steel Co., I testified, was a holding and not an operating company. The Federal Steel Co. owned the Illinois Steel Co., and the Illinois Steel Co. made wire rods; they made cotton ties, and they made hoops, and made rails, and made structurals, and they made Zs, channels, angles, blooms, billets, ingots, bars, and pretty nearly everything along that line. The Lorain Steel Co., at Lorain, made pigs, billets, ingots, bars, etc., and they made a specialty of street-car steel—what they call the Jackson high girder rail.

Mr. BEALL. Then several of the companies for which the Federal Steel Co. was holding company, were in competition with the Carnegie Co. at the time?

Mr. GATES. Yes.

Mr. BEALL. What was the general character of the manufacture of the National Tube Co.?

Mr. GATES. The National Tube Co. was an acquisition of the principal tube mills of the United States into one concern, whereby they could get a very handsome profit out of the manufacture of tubes, and that had been done by Mr. Morgan.

Mr. BEALL. There had been a combination of those tube mills by which competition had been very largely destroyed, resulting in an increased price of their product, had there not?

Mr. GATES. I would say 85 or 90 per cent of the total tube tonnage of the United States was in the National Tube Co. at that time?

Mr. BEALL. The American Bridge Co.—what was its general line of manufacture?

Mr. GATES. The American Bridge Co. built bridges, and erected structural steel.

Mr. BEALL. To what extent did it control the manufacture of that particular product?

Mr. GATES. It did not make steel. It was simply an erector of steel—a fabricator and erector.

Mr. BEALL. It purchased its material?

Mr. GATES. It purchased its material from Carnegie, entirely.

Mr. BEALL. Was it in any wise connected with the Carnegie Co.?
Mr. GATES. The Carnegie Co. owned the Bridge Co.
Mr. BEALL. The Carnegie Co. owned the American Bridge Co.?
Mr. GATES. Absolutely.
Mr. BEALL. What was the property of the Lake Superior Consolidated Mines?
Mr. GATES. That is a lot of ore mills and mines owned by various people in the Lake Superior district, a very fine ore property.
Mr. BEALL. Did any of these other companies that went into the United States Steel have a controlling interest in these mines?
Mr. GATES. No, sir; no, sir. I think the control was in perhaps five or six people, scattered in various concerns.
Mr. BEALL. The American Steel & Wire Co.?
Mr. GATES. I should say that company had 3,700 or 4,000 stockholders.
Mr. BEALL. Three thousand seven hundred or four thousand stockholders?
Mr. GATES. I think so.
Mr. BEALL. At the time of this consolidation the American Steel & Wire Co. controlled what per cent of this business?
Mr. GATES. Eighty-five per cent.
Mr. BEALL. Eighty-five per cent?
Mr. GATES. I should say so.
Mr. BEALL. The National Steel Co.?
Mr. GATES. The National Steel Co. was composed of Henry Wick's concern at Youngstown, the Ohio Steel Co., and Mr. Rice's concern at Newcastle, and two or three others.
Mr. BEALL. What was the nature, generally, of their products?
Mr. GATES. They made a general line of what is known as soft steel, semifinished. They had not a finished product like the Illinois Co., the Carnegie Co., or the Wire Co.
Mr. BEALL. The American Steel Hoop Co.—what kind of product did they have?
Mr. GATES. They were the maker of hoops, bands, and cotton ties.
Mr. BEALL. Was it controlled by any of these other companies? Did they have a controlling interest in it in any way, to your knowledge?
Mr. GATES. No. I think I helped buy the American Steel Hoop. I know I did.
Mr. BEALL. The Tin Plate Co.—it produced tin plate?
Mr. GATES. Tin plate. Reed and Leeds were two of the main men in that. They had quite a good number of stockholders, and they were pioneers in the tin-plate industry in this country.
Mr. BEALL. To what extent, if any, within your knowledge, was the Tin Plate Co. controlled by any of these other corporations?
Mr. GATES. At what time?
Mr. BEALL. At the time of the consolidation; at the time it was purchased.
Mr. GATES. At the time of its purchase it was controlled by Reed and Leeds and the Moore boys.
Mr. BEALL. And the American Sheet Steel Co.: What did it produce?
Mr. GATES. That produced sheets and light plates.

Mr. BEALL. Was it owned or controlled or under the domination of any of these other companies, within your knowledge?

Mr. GATES. I do not think so.

Mr. BEALL. After this consolidation occurred, could you give us an idea as to the percentage of the total business of the country that was under the control of this company?

Mr. GATES. No.

Mr. BEALL. Some time ago you said there was a fear that Mr. Carnegie would demoralize the railroad business and the tube works just as he had done the steel business, as I understood it.

Mr. GATES. That was Mr. Morgan's statement.

Mr. BEALL. That was Mr. Morgan's statement?

Mr. GATES. Yes.

Mr. BEALL. In what way had he demoralized the steel business prior to this consolidation?

Mr. GATES. Well, in those days we used to have a few agreements.

The CHAIRMAN. A few what?

Mr. GATES. A few agreements; the boys would make them, and Andy would kick them over.

Mr. BEALL. Was Mr. Carnegie among those inclined to break these gentlemen's agreements?

Mr. GATES. I do not know anything about those gentlemen's agreements, but I know that if Frick and I would agree to one thing in the forenoon, as between our two companies, he might tell me in the afternoon that Carnegie would not stand for it. [Laughter.] In other words, no one in the Carnegie Steel Co. controlled Mr. Carnegie, but he controlled every other man in the corporation.

Mr. BEALL. Mr. Carnegie controlled all the operations of the Carnegie Steel Co.?

Mr. GATES. Yes.

Mr. BEALL. All these agreements had for their general object the regulation of prices, usually, did they not?

Mr. GATES. Well, I do not know that you could say that. My theory is that I would rather have an open market and be able to run full and not be hampered by any competitors saying: "You are selling goods too low," than to have a fictitious market, where I could only run 40 or 50 or 60 per cent. That has always been my idea.

Mr. BEALL. What is the agreement that you mentioned?

Mr. GATES. I never was in any agreement, and I do not know anything about that.

Mr. BEALL. Did it attempt to control the amount of the output of each mill?

Mr. GATES. What agreement are you alluding to?

Mr. BEALL. I am alluding to this agreement that you mentioned as being made when Carnegie was stirring up trouble.

Mr. GATES. I would like to tell you a story.

Mr. BEALL. All right; I would like to hear it.

Mr. GATES. Along about 1887 or 1888 a man by the name of Harry Smith was the purchasing agent of the Missouri, Kansas & Texas Railroad. The price of rails at that time, if I forget not, was about $35 a ton. Mr. Carnegie's concern at that time was a member of a rail pool, and the penalty for cutting the price was enormous. I think it was $20 or $25 a ton. Mr. Smith happened to meet a friend

of mine, a hardware merchant at Sedalia, Mo., the agent of another company, and concluded he would buy his rails of him. He went to New York and happened to meet Andy Carnegie, whom he had known many years before, and Andrew cut the price very materially. Charges were preferred against the Carnegie Co. We questioned Mr. Carnegie and he denied everything in a general way. I knew the way he had cut the price. He had cut it by throwing in the track bolts, spikes, and angle bars, which amounted to about 15 per cent, or a cut of $5 a ton. I finally made an open charge, or Mr. Stirling made it, of our company—the vice president. I would not like to have this taken down.

Mr. BEALL. Well, we have already had most of it.

Mr. GATES. Andy said it put him in mind of a story of a friend of his riding in Scotland. He was very tired when night came, and he came to a hotel and asked if he could not stay all night. They said he could not. He said: "I will sleep in the barn, or anywhere; but I must stay all night." They finally said: "If you would not mind sleeping in an alcove room, we will give you a bed, and you can stay all night." He said he would not mind. About 12 o'clock he came tearing downstairs and said: "There is a dead woman there in the main part of that room." They said: "We knew it, but how in the hell did you find it out?"

He admitted all of the charge, but refused to pay any fine. [Laughter.]

Mr. BEALL. The real cause of complaint against Mr. Carnegie was that he would not abide by the agreement, but would insist on cutting the price?

Mr. GATES. He was like a bull in a china shop. He would get a thing into his head once in a while and go and do absurd things, that I really think he did not think much about.

Mr. BEALL. Would those absurd things usually result in reducing the price of steel products?

Mr. GATES. It might, or it might advance them. You could not tell what he would do.

Mr. BEALL. The fear was that if he carried out his plan there would be a competing line of railroad, as well as——

Mr. GATES. I can not state it any plainer than Mr. Morgan stated it to Mr. Schwab and me—that if Mr. Carnegie should build this tube works at Ashtabula and a railroad from Ashtabula to his works in the Pittsburg district it would demoralize the whole situation. That was Mr. Morgan's statement and not mine.

Mr. BARTLETT. And he created that belief upon the minds of yourself and other gentlemen that, if he did do it, that would be the result?

Mr. GATES. That was Mr. Morgan's statement.

Mr. BARTLETT. And you acted upon that statement?

Mr. GATES. I did not act upon it. Mr. Morgan did.

Mr. BARTLETT. And you consolidated after that, or sold out, rather?

Mr. MCGILLICUDDY. There never was any competing tube works or any competition with that railroad after you formed that combination?

Mr. GATES. Oh, that railroad was built.

Mr. MCGILLICUDDY. That railroad was built?

Mr. GATES. Yes.

Mr. MCGILLICUDDY. But I mean no other to compete with it at that time?

Mr. GATES. Well, the Pennsylvania and the Lake Shore.

Mr. MCGILLICUDDY. Mr. Carnegie did not build any other road?

Mr. GATES. Yes, he did; I beg your pardon; he did build one.

Mr. MCGILLICUDDY. He did build one?

Mr. GATES. Yes.

Mr. MCGILLICUDDY. What was that?

Mr. GATES. He built the Pittsburg, Bessemer & Lake about 1900 or 1901 or 1902.

Mr. MCGILLICUDDY. Do you know who controls that road now?

Mr. GATES. The United States Steel Co.

Mr. MCGILLICUDDY. When did they acquire control of that?

Mr. GATES. When they acquired the Carnegie Steel Co.

The CHAIRMAN. At that time a great many of these companies were putting out a finished product, were they not—that is, a more highly finished steel product?

Mr. GATES. Yes.

The CHAIRMAN. From whom did these people and the tin-plate people and the wire and nail people, and so on, a great many of them, get their pig iron and their ore before the formation of this concern?

Mr. GATES. The tin-plate people originally did not make steel; therefore they had no use for pig iron.

The CHAIRMAN. Yes.

Mr. GATES. They bought tin bars.

The CHAIRMAN. Where did the National Tube people get their pig iron? Did they make their own pig iron?

Mr. GATES. Yes; the National Tube and the Riverside make their own pig iron and their own steel and their own tubes.

The CHAIRMAN. To whom did the Carnegie Co. furnish the iron and steel in its first order of manufacture, in billets, and so on?

Mr. GATES. You mean in its soft-steel shape?

The CHAIRMAN. Yes.

Mr. GATES. They furnished it to people all over the United States.

The CHAIRMAN. To the American Bridge Co.?

Mr. GATES. I suppose they furnished the American Bridge Co. all they used. They owned some of the Bridge Co.

The CHAIRMAN. Did they furnish the American Steel & Wire Co.?

Mr. GATES. Yes; occasionally.

The CHAIRMAN. And, you say, the National Steel Co.; did they furnish them much?

Mr. GATES. No; the National Steel Co. were makers of soft steel in the finished state.

The CHAIRMAN. The American Steel Hoop Co.; did the Carnegie Co. furnish them anything?

Mr. GATES. I assume so.

The CHAIRMAN. Was there not a threat at that time, a misunderstanding between these companies and the Carnegie Co., arising out of the fact that a great many of these concerns were either putting up their own blast furnaces and making their own pig iron, or were preparing to? Was there not some disagreement along that line?

Mr. GATES. Yes; there was a good deal of discussion. The man that bought his steel threatened to build his steel plant, and the man

that bought his fuel threatened to build coke ovens, and the man who bought his ore threatened to buy his ore mines.

The CHAIRMAN. Before that there had been a good deal of dispute as to who should have this or that particular market?

Mr. GATES. I do not think so. I do not think there was. I never heard of it, if there was.

The CHAIRMAN. Was there not an understanding between these finished-steel people and the Carnegie people as to what amount of pig iron and the like they would take from the Carnegie Co.?

Mr. GATES. No, sir; not so far as I know.

The CHAIRMAN. There was the universal threat on the part of the whole steel world, each fellow, as you say, threatening to do something that he had not done before; one man was going to make the finished product, and another man was going to put up a blast furnace, and so on; was not that one of the evils that you were trying to obviate in this effort to put oil on the waters?

Mr. GATES. Well, was it an evil? Have I answered that it was an evil?

The CHAIRMAN. Well, one of the "conditions"? That would be a better word.

Mr. GATES. There might be something in that.

The CHAIRMAN. What is that?

Mr. GATES. There might be something in that. I do not assume that necessarily it was an evil. I assume that it would not have been an evil, from my position; but if I was a manufacturer I might have looked at it from a different viewpoint.

The CHAIRMAN. I was looking at it sympathetically, from the viewpoint of the manufacturer, and not from the viewpoint of the consumer, when I used that word.

(At 1.50 o'clock p. m. the committee took a recess until 2.15 o'clock p. m.)

AFTER RECESS.

The committee reconvened, pursuant to the taking of recess, at 2.15 o'clock p. m.

STATEMENT OF MR. JOHN W. GATES—Continued.

The CHAIRMAN. The members of the committee are not all here, but as you are in a hurry to go, Mr. Gates, I will start this examination, and let the other members of the committee drop in as they come from lunch. I know you want to get away on the 4 o'clock train.

Mr. GATES. Thank you.

The CHAIRMAN. Mr. Gates, you speak of the advantage of running at as full time as you can, with an unimpeded market, and the right to sell at such price as you can get. How long has it been since that condition prevailed in the steel industry?

Mr. GATES. Well, as far as I know, the Republic have operated along that line right along. I might explain about that, in free-handed running——

The CHAIRMAN. I was just taking up your course where you left off, and I would like you to go back a little and explain that—why you advocate that industrial condition?

Mr. GATES. Well, I will tell you, Mr. Chairman, it is very important in an iron or steel rolling mill to select your orders. In other words, the price of ovals and rounds may be practically the same, but the cost of the roll change enhances the cost of making one article or decreases the cost of making another. Therefore, when I say to run unimpeded, I mean to select your rolling orders. If you can run practically continuously for 12 or 24 hours on inch rounds or inch hectagon or octagon, you get a great deal cheaper product. That is what is called, in steel parlance, selecting your business. Now, that always means a lower cost. The price of the extras on iron or steel may be equitable. They are all based on the scale, with an advance over the base price; but the mill that can select its orders, getting the largest amount of orders for one size, always runs and makes stuff the cheapest; and when I said selecting your business, I meant selecting the orders you run by. For instance, if you were running on 75-pound rails, American section, if you could run 30 days on that section it would be a great saving on account of roll changes.

The CHAIRMAN. Adjusting the machines?

Mr. GATES. Yes.

The CHAIRMAN. You spoke of the evils of having to submit suggestions as to the extent of business that you do, or as to the amount of business you do, in proportion to the capacity of the plant, the time that you work, and the like of that. I would like you to explain that a little more fully and in detail.

Mr. GATES. Your question is not intelligible to me, Mr. Chariman.

Mr. CHAIRMAN. As I recall, you spoke just before the morning session closed of the inconvenience of not running to your full capacity, of being restricted as to the per cent of the capacity of the plant you run. What would produce that condition, that you are unable to do that—that a great many manufacturers are unable to do that? Why are they not able to? What is the cause of that condition against which you protest?

Mr. GATES. I can best answer that by an illustration. There is a concern in Chicago, or near Chicago, called the Aero Motor Co. Their business is the erection of windmills with high steel towers made out of what we call V iron or Z steel. Anyone would be glad to get a thousand-ton order from the Aero Motor Co., because it is a straightaway run. Any concern that takes a thousand or more tons of one class of material, their orders are sought after—one class and one size—to avoid the roll changes, which are expensive.

The CHAIRMAN. I understand that is the condition that exists anywhere and at any time; but has there been any other influence, any other condition, which has prevented the individual iron manufacturer from exercising that liberty?

Mr. GATES. Dull times.

The CHAIRMAN. What do you say?

Mr. GATES. Dull times is the main preventive, I would say; bad business.

The CHAIRMAN. Take the formation of these concerns that I have spoken of, under one organization. Is it true that each plant in the Federal Steel, and the rest of them, is restricted as to its output, as to the extent to which they would run?

Mr. GATES. I could not answer that, because I have never been an officer or director in any of the plants since they became an integral part of the Steel Corporation; so that it is a question I could not answer.

The CHAIRMAN. In your discussion of the advantages of this unlimited independence in the conduct of your plant, I inferred from what you said that there was a difference of opinion between some manufacturers as to the propriety or business sagacity of the position that you took; is that true?

Mr. GATES. In answer to that I will say that I have not been to a steel manufacturers' meeting in 11 years—so that my opinion would be rather aged on that subject—of any kind, shape, or nature, except the directorships in the companies in which I am interested, which are not a part of the Steel Corporation.

The CHAIRMAN. I asked you in the morning session about certain concerns that make steel rails. Is it true that an independent concern—that is, a plant not in or a part of or controlled by or having any relation to the United States Steel Corporation—can get orders for many rails from the railroads of the United States?

Mr. GATES. Well, I could not answer that.

The CHAIRMAN. What per cent of the railroad mileage of this country is open and free to receive and to take orders from independent rail manufacturers?

Mr. GATES. I could not answer that question.

The CHAIRMAN. Is there any appreciable percentage?

Mr. GATES. Well, I could not answer that. I should say there were, but I am not positive. I should think that a great many of the leading railroads were free to buy wherever they saw fit. There might be some of them that, on account of——

The CHAIRMAN. Well, take a railroad—any railroad—that happens to be a part—an integral part—of the lines owned and controlled by the United States Steel Corporation. By that I mean this: You say you have a railroad transporting ore in Minnesota, or a line of railroad somewhere between there and Pittsburg, owned by the United States Steel Corporation. It connects with the ordinary common carriers. It carries the coke or the ore for the United States Steel Corporation. Would you expect to secure, at any adequate price, an order for rails either for the road owned by the United States Steel Corporation or by any of those directly and immediately connecting lines?

Mr. GATES. No, sir. Oh, the connecting lines, I can not say; but the roads owned by the Steel Corporation—we would not send our salesmen to see them, because it would not do us any good.

The CHAIRMAN. I understand. What effect would that have on the connecting lines?

Mr. GATES. That is a broad question, one I do not think any man is competent to answer.

The CHAIRMAN. Are you connected with any concern now that makes rails?

Mr. GATES. No; we do not make rails.

Mr. MCGILLICUDDY. By that you mean the Republic Steel Co.?

Mr. GATES. The Republic. We did make them, but we turned our plant onto tin and sheet bars.

The CHAIRMAN. I notice an editorial in Collier's Weekly, of May 27, 1911, and I want to call your attention to a statement there. It says:

From the middle of a column of friendly gossip concerning Mr. J. P. Morgan, in the Wall Street Journal, we take two sentences:

"Upon the receipt recently, by one of his associates, of a certain cablegram from J. P. Morgan orders for railroad equipment and supplies suddenly increased. Orders for cars, engines, and rails have since become rather numerous."

In that brief quotation is epitomized the situation which abundantly justifies the proposed investigation of the Steel Trust. Mr. Morgan, as head of a dozen railroads, is the buyer of millions of tons of rails and equipment; as head of the Steel Corporation he is the seller. In fixing the price, what consideration governs? Does he make it high, in order to profit the Steel Corporation, or does he make it low, in order to profit the railroads?

Do you know anything about the accuracy of that statement?

Mr. GATES. No; I do not.

The CHAIRMAN. Could you give me any adequate idea of the mileage of railroad in the United States that, to-day, is under practically the same control as that of the United States Steel Corporation, either by the joint ownership of stock or by the interlocking of directors?

Mr. GATES. No; I could not.

The CHAIRMAN. Mr. Gates, if we could return to normal conditions, when the steel manufacture could automatically adjust itself to the industrial conditions—by that I mean when times were hard and people had but little money which would be free, lower the price of the product to a narrow margin of profit in order to stimulate the production of it, and when times were prosperous and people had plenty of money you could raise its price and share that general prosperity—do you believe that that sort of condition would add materially to the general welfare of the steel industry and of the country at large?

Mr. GATES. It is almost too hypothetical a case. It is supposing a lot of things that may happen and may not; and it would depend, in my opinion, very much on the condition of the times, generally, when that happened.

The CHAIRMAN. Well, I am considering your good judgment and experience; that is the reason I put these hypothetical questions to you.

We will assume that each one of the many producing concerns—manufacturing concerns and not holding concerns—was a separate corporate entity, as they were 20 years ago; that there were 3 or 4, or 40 or 50, or whatever number there are—say there are 200—concerns engaged in the manufacture of nails, or wire, or tinplate, and 50 or 60 engaged in the manufacture of rails, and a like number engaged in the manufacture of girders and structural steel. Now, if each one of those concerns was absolute master of its own business, and was not controlled by or dependent upon some superior, some holding company, or some financial influence that could dictate the price or the per cent of its production; if that condition existed would not prices adjust themselves automatically to industrial conditions?

Mr. GATES. It would probably have that tendency, but I can not say absolutely that it would. It would depend very largely on the

supply and demand at the time. I would say that prices would be more erratic than they are now.

Mr. McGILLICUDDY. What?

Mr. GATES. More erratic; more likely to be up $10 or down $10.

The CHAIRMAN. And you do not regard that lack of stability in prices as an evil, do you?

Mr. GATES. Well, if you were a merchant and had 10,000 tons of finished steel on hand and they reduced the price $10 a ton, you would think it was an evil, because you would lose $100,000.

The CHAIRMAN. But I mean looked at from the standpoint of the whole community.

Mr. GATES. Well, it just depends on the viewpoint.

The CHAIRMAN. That is what I want to get. For instance, there has been a great deal written and said by some manufacturers about the advantage of having a fixed rate for steel rails of $66 a ton and having that rate maintained by some method—I do not know exactly what—year in and year out in good and in bad times, and allowing the change to come not in the price, but in the number of men engaged in manufacturing the article; by, instead of keeping your men at work constantly and letting the price go up and down, keeping the price constant and letting your men go in and out as you manage to supply the market. Now, it has been argued that that would be a great saving and a great benefit to the country. I gathered from you, from what you said before the adjournment for the noon recess, that you do not concur in that opinion.

Mr. GATES. Well, there are two sides to the proposition. The largest owners of steel rails in the United States are the railroads, and when you depreciate the price of steel rails you depreciate the property of the railroads. When you advance the price of steel rails, you advance the property of railroads. Now, if a railroad is not in the market to buy any rails in 1911 or 1912, they would naturally like to see prices high, but if they are in the market to buy from 100,000 to 250,000 tons, they would like to see the market low; so that it is a good deal like the tariff proposition—it is local, it is individual, and you have got to take and treat each case as it comes along.

The CHAIRMAN. I am taking it, now, not from the viewpoint of the manufacturer nor of the railroad. I am looking at it—and I believe you are—from the standpoint of the community, of the country generally.

Mr. GATES. Who buys the rails?

The CHAIRMAN. The people.

Mr. GATES. The railroads. There is not anybody but the railroads buy rails.

The CHAIRMAN. Ultimately, do we not all buy them?

Mr. GATES. We help to pay for them, but they are bought by the railroads.

The CHAIRMAN. Yes; the railroads buy them and we pay for them.

Mr. GATES. Yes.

The CHAIRMAN. From the standpoint of the people, who pay for the rails, which condition is better?

Mr. GATES. Now, is not that a little far drawn? If Mr. McCrea wanted to buy 100,000 tons of rails, you patronize the Pennsylvania Railroad, and you are one of the men who contribute to its support?

The CHAIRMAN. Yes.

Mr. GATES. You do not think that Mr. McCrea would come and talk to you about buying those rails?

The CHAIRMAN. No.

Mr. GATES. If Mr. McCrea wanted to buy 100,000 tons or 200,000 tons of rails, he would buy them as well as he could?

The CHAIRMAN. Yes.

Mr. GATES. In other words, if he did not want to buy any in 1911 or 1912, he would want to see prices as high as possible. So that each case is an individual case, and it seems to me has to be treated in that line.

The CHAIRMAN. Take other articles of manufacture; in your opinion, is it industrially wise to maintain the price at a fixed point or to allow the price to oscillate with the capacity of the producer to pay, and other conditions?

Mr. GATES. You know my position is well known in the iron and steel trade.

The CHAIRMAN. That is what I want to get, your position.

Mr. GATES. I have been an advocate of open shop for a great many years, and am to-day. I do not assume to speak for all my colleagues; I only assume to give you my personal views.

The CHAIRMAN. That is what I want to get.

Mr. GATES. They are open shop.

The CHAIRMAN. By that you mean——

Mr. GATES. Survival of the fittest.

The CHAIRMAN (continuing). Unrestrained competition?

Mr. GATES. Survival of the fittest.

The CHAIRMAN. That condition does not exist at the present time, I believe?

Mr. GATES. I do not think it does.

The CHAIRMAN. Well, to what extent?

Mr. GATES. What? That it is open shop?

The CHAIRMAN. What per cent of the steel industry is open shop to-day?

Mr. GATES. To-day? I should say 100, except rails.

The CHAIRMAN. Except what?

Mr. GATES. Except rails. Open shop means open market.

The CHAIRMAN. Take the wire fencing, or woven wire.

Mr. GATES. I do not think there is any agreement as to what shall be done in wire fencing or wire nails or woven wire or blooms or billets or ingots or anything else.

The CHAIRMAN. Take woven wire. You say the profit in that business is about 50 per cent?

Mr. GATES. Woven wire?

The CHAIRMAN. Yes.

Mr. GATES. Woven wire, I should say, was 40 to 50 per cent; but that is sold by advertising, by personal work. Men do not order a carload of woven-wire fencing simply because they know that a man makes it. They order a carload of nails because nails are nails, and barbed wire is barbed wire. Each man for his specialty claims that he makes it better than others.

The CHAIRMAN. And they make a profit of 40 or 50 per cent on woven wire? Who sells that woven wire?

Mr. GATES. For the corporation, there is one concern.

Mr. YOUNG. What?

Mr. GATES. One concern, who are the agents of the corporation in the State of Texas, of which the name is Tufts and somebody. Tufts used to travel for me. They sell the product of the corporation, no matter what that product may be, I think.

The CHAIRMAN. What per cent of the woven wire do they sell in Texas; what per cent of the total consumption is sold by them?

Mr. GATES. I should say, in general figures, they sold in the general products of wire sold in Texas from 60 to 75 per cent.

The CHAIRMAN. Does their price govern?

Mr. GATES. It governs as far as their individual operations are concerned. I think the others are open shop, selling at the best prices.

The CHAIRMAN. Does not the open-shop fellow sell at the same price, practically, as the corporation sells at?

Mr. GATES. Not necessarily.

The CHAIRMAN. Not necessarily; but is it not practically so?

Mr. GATES. No; I think not. I have occasionally bought some of these products in Texas, and I write to the Pittsburg Wire Co. and the Pittsburg Steel Co. and the corporation, and I generally get a lower price from one of the outside concerns. The prices are not the same, by any means.

The CHAIRMAN. What is the difference of price between these outside concerns and the corporation?

Mr. GATES. I do not know. They vary.

The CHAIRMAN. Is it material?

Mr. GATES. Oh, yes. I do not know what you call material. I would say 10 cents a keg on nails would be material. Five hundred kegs of nails in a car would be $50 difference.

The CHAIRMAN. You do not mean to say that the independent manufacturer undersells 5 or 10 cents a keg, say, on nails, the corporation as a rule when the corporation has 75 or 80 per cent of the business?

Mr. GATES. Well, they are very apt to.

The CHAIRMAN. How does he hold his business, then?

Mr. GATES. How does who hold it?

The CHAIRMAN. The corporation, if the other fellow is underselling it 10 cents a keg on nails. Why does not the other fellow get the business, who sells cheaper?

Mr. GATES. The corporation makes a pretty full line of goods, and I do not know that there is such a thing as coercion, but I could see where it would be possible for the corporation's agent to say, "If you do not buy your woven-wire fence from me, when you want some electric wire I will make you pay for it," or something that the other fellow does not make. Now, I do not know that that is true, but I can see where they could put the screws to them, so to speak, in certain lines which the other people do not make.

The CHAIRMAN. In his testimony before the Ways and Means Committee—I quote from an entry—Mr. Gary was asked if the United States Steel Corporation chose so to do they could, through the exercise of the control that they have over ore, the sale of ore, and of common carriers, put all competitors out of business by instituting a severely competitive business.

Mr. GATES. Did Gary make that statement?

The CHAIRMAN. He was asked that question, and he admitted he thought they could.

Mr. GATES. I do not think they could.

The CHAIRMAN. For instance, where do you get your ores now, Mr. Gates?

Mr. GATES. Mine them.

The CHAIRMAN. Suppose you did not have mines. Quite a number, like the Lackawanna and quite a number of those other companies in Pennsylvania——

Mr. GATES. They all have them.

The CHAIRMAN (continuing). They get their ores from the Superior region?

Mr. GATES. All the important concerns that I know in the iron and steel business own a certain portion of the ore that they use.

The CHAIRMAN. A certain portion of it?

Mr. GATES. Some might own 100 per cent. In the case of the Republic, we are sellers of 50 per cent.

The CHAIRMAN. The Republic is down in that Tennessee coal and iron region, is it not?

Mr. GATES. Yes.

The CHAIRMAN. Outside of that region, where does the Lackawanna get its ore?

Mr. GATES. Now, do you think it is fair to question me concerning the Lackawanna?

The CHAIRMAN. I will not insist on an answer. I thought it was a matter of general knowledge. You need not answer if you do not care to.

Mr. GATES. They have ore mines, the Lackawanna.

The CHAIRMAN. Do you know where their ores are located?

Mr. GATES. They own the Brotherton and half a dozen other mines.

The CHAIRMAN. Where do they ship from?

Mr. GATES. Their point of shipment is generally Lake Superior.

The CHAIRMAN. The principal points from which ores are secured in this country are in the Lake Superior region and in this Alabama region, are they not?

Mr. GATES. There are a good many ores come in from Cuba.

The CHAIRMAN. But I am speaking about ores in this country.

Mr. GATES. There are a good many ores come in from Michigan. Then we are interested in Canadian ore properties in Canada that bring them in; and then there is a very large ore property at Fort Henry, N. Y., that produces about a million tons of ore a year.

The CHAIRMAN. The great ore region, though, is the Lake Superior region? That is the region, outside of southern ores, from which these high-grade ores all come?

Mr. GATES. That is the great source of Bessemer ores.

The CHAIRMAN. Suppose you need Bessemer ores and you are independent, as these people do. Even if they own ores in the Lake Superior region, how are those ores carried from the point where they are mined to the point where they are converted?

Mr. GATES. It is fair to suppose that two-thirds of that ore is carried over the railroads owned by the corporation.

The CHAIRMAN. And as I understand you to say, they charge you about——

Mr. GATES. A cent a ton a mile.

The CHAIRMAN (continuing). A cent a ton a mile, and that amounts to about 80 cents a ton?

Mr. GATES. Yes.

The CHAIRMAN. If they chose to make that charge to you $1.80 a ton a mile, you would have no escape?

Mr. GATES. I do not suppose we would, if the Interstate Commerce Commission allowed it.

The CHAIRMAN. If the Government stood off and gave the United States Steel Corporation a free hand, either on its ores or its transportation facilities, it could make you pay what it pleased for your ores?

Mr. GATES. I could conceive a point where they could drive us out of business if the Interstate Commerce Commission or something else did not prevent it.

The CHAIRMAN. We thank the Lord that it is doing business at the same old stand; but assume that it is not?

Mr. GATES. That freight rate has been very stable, Mr. Chairman.

The CHAIRMAN. Yes; fortunately.

Mr. GATES. It has not changed in 20 years.

The CHAIRMAN. It might change for the better. But, now, is it not true, Mr. Gates, that it is a fact that in a business enterprise, or with business men, the knowledge that a concern can exercise a power renders the exercise of that power unnecessary in order to secure its will—its purpose? Is not that true?

Mr. GATES. Well, your question is so long that I kind of lose the thread of it.

The CHAIRMAN. This power of which you speak—this potential power to drive the independent out of business if they choose to—does not the realization of that fact on the part of all independent concerns tend to prevent them from putting these people to the test?

Mr. GATES. The answer is—or, rather, my answer would be—that the independents believe that the law of equity still exists in the land. That would be my answer.

The CHAIRMAN. Yes; it does, I hope. In other words, you trust to the Government to protect you from a still further abuse of this power that they possess?

Mr. GATES. You take it at the north end of the lakes, the Great Northern Railroad in eastern Minnesota, I presume Mr. Hill would tell you that 80-cent rate was a reasonable rate. He is not in the iron and steel business, but he is in the transportation of ore. I have a right to assume, I think, that Mr. Hill would like to continue to get 80 cents for hauling that ore, and that he will not voluntarily reduce his rate below 80 cents.

The CHAIRMAN. Now, suppose that Mr. Gary gave a big dinner, to which all of the manufacturers of steel—those at the head of great concerns—were invited, and in the course of the delightful evening he would very courteously suggest that such and such a price was equitable and fair to all parties concerned for rails or billets—I know but little about these things—or nails, or wire, or whatever else you make, and there would be a sinister suggestion in the course of this very polite address that if any man or any concern should be so unwise as not to see the wisdom of maintaining prices which he said were the best things for the country those who differed with him would be called upon to take such means to convert him as were

formerly used to convert heretics; would it not take a very daring man not to carefully weigh and consider what was said by the president of the United States Steel Corporation?

Mr. JONES. Mr. Chairman, I object to that question.

Mr. GATES. I would like to ask the chairman a question. Have you a right, under the scope of your committee, to invite any people that you wish to attend these hearings? Have you a right, under the scope of your authority as an investigating committee, to summons anybody here that you see fit?

The CHAIRMAN. Oh, yes.

Mr. GATES. Then why not summons the people that attend the dinners? I have never attended one. I have not ever attended a dinner.

The CHAIRMAN. I have not selected you as a victim at all, Mr. Gates. You occupy the position simply as primus; you are the first one here. There are quite a number of other gentlemen who have received intimations that we would like to have them come here.

Mr. GATES. Yes.

The CHAIRMAN. And I will say to you frankly that a question of that kind I think is strictly legitimate and will be propounded. Now, I am going to ask you this, and you can answer it in your own way, and I will make it a hypothetical question, so that you will be perfectly free. I am not trying to go into your personal affairs at all or the affairs of any concern with which you are connected. We are investigating the United States Steel Corporation, and that alone, and those that have affiliations and associations with it; but if you were a maker of tin plate, and you made 10 per cent on the tin plate, and you used the transportation facilities or the ores, or both, of the United States Steel Corporation, you got your ores from them up there in the Lake Superior region for making the iron part of it, and they shipped it, and you found that you could sell that plate at a reduction below the price charged by the United States Steel Corporation and make a handsome profit, and you should start to do it, and the suggestion were made to you as a manufacturer of tin plate that if you persisted in this pernicious course—cutting established rates—they would take cognizance of that rate in the price of ore and in the cost of transportation and exercise such other authority as they possessed by reason of these superior advantages—if that suggestion were made to you as a manufacturer, would it or not have weight?

Mr. GATES. I should consider it a bluff.

The CHAIRMAN. Consider it a what?

Mr. GATES. I should consider it a bluff.

The CHAIRMAN. And yet you know that they could exercise that power?

Mr. GATES. Well, there is a law of equity in the land. They can not charge me one rate for hauling ore and the other fellow another. And if I have got the money, I can buy the raw material as cheap as any of them. That would not deter me a particle if I was cutting the price. I would keep right on. I take it that the officer of any corporation is amenable only to his stockholders and not to the Steel Corporation.

The CHAIRMAN. In law, certainly.

Mr. GATES. In the first place, I do not believe that the Steel Corporation would make any such threats; and in the next place, if they did, I do not believe any man would pay any attention to them.

Mr. YOUNG. Mr. Gates, do you think that the Steel Corporation has any advantage, for instance, over your company through its ore ownership as compared with your ore ownership?

Mr. GATES. We are sellers of ore and they are sellers of ore.

Mr. YOUNG. Do you think the Steel Corporation has any advantage over the Lackawanna through its ore ownership as compared with their ore ownership?

Mr. GATES. I have not looked into the Lackawanna's mines carefully. I do not know what their mining conditions are, or what their costs are.

Mr. YOUNG. Do you think they have any advantage over Jones & Laughlin?

Mr. GATES. Jones & Laughlin seem to have been running right along, and have been for 30 years.

Mr. YOUNG. They are large owners and producers of ore?

Mr. GATES. Yes.

Mr. YOUNG. You said something about the freights. Are you familiar with the Michigan ore district—the Marquette, Menominee & Gogebic, and so forth?

Mr. GATES. Yes; I have operated all through there.

Mr. YOUNG. The railroads there are all independent roads; are they not?

Mr. GATES. Yes. The freight rates on the Marquette, Menominee & Gogebic are nearly all St. Paul & Northwestern.

Mr. YOUNG. And the Duluth South Shore?

Mr. GATES. The Duluth South Shore do some, but not very much.

Mr. YOUNG. How do those rates on ore compare with those in Minnesota?

Mr. GATES. They are lower. The Minnesota rates are higher.

Mr. YOUNG. Do you mean more for the same service, or——

Mr. GATES. In the case of the Menominee, Marquette & Gogebic Range, the haul is shorter and the rate lower.

Mr. YOUNG. Do you know what the rate is from Ishpeming and Negaunee to Marquette, on the South Shore?

Mr. GATES. I do not know, but somewhere from 30 to 40 cents, I think.

Mr. YOUNG. Thirty-two cents, I think. That is a distance of 15 miles, is it not?

Mr. GATES. Well, yes; but when you get coupled on you might as well go 50 as 15. It does not amount to much, you know—the difference in mileage.

Mr. YOUNG. Yes; but this is what I want to get at: Would you regard the rate of 32 cents for 15 miles as higher or lower than the rate of 80 cents for 80 miles?

Mr. GATES. Oh, I would regard it as lower.

Mr. YOUNG. Lower?

Mr. GATES. Very much.

Mr. YOUNG. So you think that where the independents have access to these independent roads, they get a somewhat lower rail rate than they do over the roads controlled by the Steel Corporation?

Mr. GATES. I think that is true; yes, sir.

Mr. YOUNG. That was true long before the Steel Corporation was organized as to these particular roads; was it not?

Mr. GATES. Yes and no. The supposition was that there was some monkeying going on in freight rates before the corporation acquired the Duluth, Missabe & Northern and the Duluth & Iron Range, by way of dock charges and favoritism of various kinds. I do not know that it was true, but that was the rumor.

Mr. YOUNG. You do not know whether it was or not?

Mr. GATES. No; I say I do not know that it was true, but that was rumored.

Mr. YOUNG. But the published rates—the rates the public knew of?

Mr. GATES. Well, you want to remember this: The Missabe Range was practically not opened up until 1894 or 1895.

Mr. YOUNG. Yes; I know.

Mr. GATES. It was a new proposition; 1894 and 1895 saw the opening, and 1901 saw the corporation take it over.

Mr. YOUNG. Yes; and it had run six or seven years?

Mr. GATES. Yes; five to seven—something like that. The independents were kicking at that time about the high freight rates, the same as they are kicking now.

Mr. YOUNG. I have a little mine myself up in there, and I remember the situation.

Mr. GATES. You probably asked them for lower freight rates on the Vermilion.

Mr. YOUNG. On the Vermilion, not on the Missabe. But the published rate—the public rate—was as high then as it has been since, was it not?

Mr. GATES. Yes.

Mr. YOUNG. Do you know of any instances in which rebates were given on those roads?

Mr. GATES. I can not say that I do.

Mr. YOUNG. Now, I want to ask you another question or two, and you may do as you please about answering. But I wish to say in the first place that I am not trying to inquire into the affairs of your corporation. It is based on something I understood you to say. I want to ask you if, now or at any time, there has been any agreement or understanding between your company and the Steel Corporation as to the fixing of prices?

Mr. GATES. I assumed that possibly I might be asked that question. Therefore, day before yesterday, I never having had any part in any agreements, I wrote the chairman of our company and asked him if we were in any agreement of any kind, shape, or nature, and he informed me we were not.

Mr. YOUNG. Have you ever been, to your knowledge?

Mr. GATES. To my knowledge personally, no, sir; I never had anything to do with any agreements.

Mr. YOUNG. What is your position in the Republic Iron & Steel Co.?

Mr. GATES. A director and a member of the executive committee.

Mr. YOUNG. The largest owner of its stock?

Mr. GATES. Are you asking this for taxable purposes?

Mr. YOUNG. Oh, no.

Mr. GATES. I decline to answer.

Mr. YOUNG. Very well. I simply wanted to know if you were in a position to control the policy of this company. I will ask you that question.

Mr. GATES. I have a voice in its control.

Mr. YOUNG. That is all.

Mr. MCGILLICUDDY. Mr. Gates, let me ask you, for information, is it true that the United States Steel Corporation is purely a holding company?

Mr. GATES. Yes, sir.

Mr. MCGILLICUDDY. Not an operating company at all?

Mr. GATES. It does not operate any.

Mr. MCGILLICUDDY. How many component subsidiary operating and manufacturing companies are there under the holding company?

Mr. GATES. I answered this morning that I thought there were 11 or 12.

Mr. MCGILLICUDDY. Are they engaged in the manufacture of different kinds of products or the same?

Mr. GATES. Some different, and some identical.

Mr. MCGILLICUDDY. I suppose some of those 11 or 12 different corporations are able at times to manufacture their products at lower cost than at other times?

Mr. GATES. Yes.

Mr. MCGILLICUDDY. And some of them manufacture, perhaps, at a loss at certain times, and others at a very large profit, or at a large profit? That is true, is it?

Mr. GATES. It may be; yes.

Mr. MCGILLICUDDY. Who controls the prices at which each of those subsidiary companies puts its products on the market for the public—the manufacturing corporation or the Steel Corporation, the controlling company?

Mr. GATES. I do not know.

Mr. MCGILLICUDDY. Who does know?

Mr. GATES. Gary, Corey, Schwab, and Farrell.

Mr. MCGILLICUDDY. You have no personal information about it?

Mr. GATES. No, sir.

Mr. MCGILLICUDDY. You can not give us any light on that subject?

Mr. GATES. I could guess, but I do not care to.

Mr. MCGILLICUDDY. Will you please tell us what you do know about it?

Mr. GATES. I do not know. You are asking me what I know. I do not know anything about it.

Mr. MCGILLICUDDY. What information have you about it? You said you could guess. I assume you have some basis upon which to guess.

Mr. GATES. I said I could guess, but I did not want to. So could you guess.

Mr. MCGILLICUDDY. No; I could not.

Mr. GATES. If you were at the head of the United States Steel Corporation, and had 12 corporations under you, would you allow one corporation to lose money continually?

Mr. MCGILLICUDDY. Well, that is what I want to know.

Mr. GATES. I ask you that question—would you do it? If you were at the head of the United States Steel Corporation, and one of your corporations was losing $10,000 a day, would you, as the head of

that corporation, call up the manager and say, "You have got to get better prices, or I will get a new manager?" Would not you do that?

Mr. McGILLICUDDY. I understand what you mean. That is just what I want to know—whether one company among these subsidiary companies has to make up the loss that some other company sustains temporarily?

Mr. GATES. I would get the auditor of the United States Steel Corporation down here. That is a complicated question, and it is a very fair one for you to ask, but it would be a very unfair one for me to attempt to answer. I would get the general auditor of the Steel Corporation down here.

Mr. McGILLICUDDY. I did not know but what you knew.

Mr. GATES. Put that question to him. No; I do not.

Mr. McGILLICUDDY. What benefit is it to have this holding company, if it does not control the matter of prices? What is it for?

Mr. GATES. That is something you will have to get from the corporation themselves.

Mr. McGILLICUDDY. You helped to organize it; did you not?

Mr. GATES. Oh, yes; I helped to organize it, and got a little stock in it—not very much.

Mr. McGILLICUDDY. What was your purpose in organizing it, except that it would control prices in the way that has been suggested?

Mr. GATES. To convert a lot of doubtful assets into cash—which I have succeeded in doing.

Mr. McGILLICUDDY. And how did you propose to convert doubtful assets into real assets by a mere fiction of law?

Mr. GATES. Because I was aware of the fact that there would be a big market for corporation shares, and that if I wanted to sell them I could.

Mr. McGILLICUDDY. Based upon what?

Mr. GATES. Based upon the broad market for them.

Mr. McGILLICUDDY. That would be created because of the gentlemen connected with that corporation?

Mr. GATES. Yes.

Mr. McGILLICUDDY. That is all.

(The committee thereupon adjourned.)

No. 2

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Thursday, June 1, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

Mr. R. V. LINDABURY. I desire the permission of the committee to appear for the United States Steel Corporation.

The CHAIRMAN. Certainly. You have been advised of the resolution passed by the committee?

Mr. LINDABURY. Yes, sir; you were kind enough to give me a copy of it.

STATEMENT OF MR. ELBERT H. GARY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Judge Gary, you are holding a position with the United States Steel Corporation?

Mr. GARY. I am chairman of the board of directors, chairman of the finance committee, and the chief executive officer of the corporation.

The CHAIRMAN. The United States Steel Corporation, I believe, is a holding company?

Mr. GARY. It is.

The CHAIRMAN. Can you be a member of the board of directors and also a director in the subsidiary companies?

Mr. GARY. Yes.

The CHAIRMAN. You are a director in several concerns besides being a director in the United States Steel Corporation?

Mr. GARY. I am.

The CHAIRMAN. Are you a director in the American Bridge Co., or is that company still in existence?

Mr. GARY. Yes, sir.

The CHAIRMAN. It is one of the subsidiary companies of the United States Steel Corporation?

Mr. GARY. It is.

The CHAIRMAN. One of the nine companies or such number that were originally formed into the United States Steel Corporation?

Mr. GARY. It was one of the principal companies.

The CHAIRMAN. Was that company ever at any time an independent and actively competing company with other companies in like products?

Mr. GARY. I suppose you refer to any other of the subsidiary companies?

The CHAIRMAN. Yes, sir. Did it ever compete with the subsidiary companies and with other companies making like products in the United States?

Mr. GARY. I do not think it was a competitor.

The CHAIRMAN. It is not now a competitor of any of the subsidiary companies?

Mr. GARY. It is not.

The CHAIRMAN. You say that it was never a competitor of any of the companies?

Mr. GARY. I perhaps should modify my last statement in a slight particular. The Illinois Steel Co. is the owner of a small plant in Chicago which has a structural business of not very great importance, and to that extent, you might say, the Bridge Co. was a competitor and still is a competitor, although the territories and the class of business make them perhaps practically noncompetitive and always did. I would hardly think that you could consider them competitors.

The CHAIRMAN. What is the capitalization of the stock and bonds of the American Bridge Co.?

Mr. GARY. I will have to refresh my recollection. I think, perhaps, I could do so.

At the time of the organization of the United States Steel Corporation the capitalization of the American Bridge Co. was $31,393,800 preferred and $30,950,800 of common stock. There were no bonds. Since the time of the organization of the United States Steel Corporation that capitalization has been reduced. I can not at this moment give you the figures of the present capitalization.

The CHAIRMAN. Are you a director in the American Sheet & Tin Plate Co.?

Mr. GARY. I am.

The CHAIRMAN. Is that a subsidiary company of the United States Steel Corporation?

Mr. GARY. It is.

The CHAIRMAN. Was that company ever at any time a competitor of the other concerns that were merged into the United States Steel Corporation?

Mr. GARY. You say "merged." You mean any of the other subsidiary companies?

The CHAIRMAN. Yes, sir.

Mr. GARY. It was not, I think.

The CHAIRMAN. It never competed with other concerns making like products?

Mr. GARY. I think not.

The CHAIRMAN. What prevented its competition with other concerns prior to the time of becoming a subsidiary of the United States Steel Corporation?

Mr. GARY. Its products were different.

The CHAIRMAN. At the time that the American Sheet & Tin Plate Co. became a subsidiary of the United States Steel Corporation, it then manufactured practically the entire output of tin plate and similar products in the United States?

Mr. GARY. It manufactured a large percentage of tin plate and possibly it manufactured some sheets for sale, and if so, to that extent it was a competitor of the American Sheet & Steel Co., if that was the technical name. I think I have a statement which will furnish to the

committee information concerning what competition, if any, existed between the different companies, and I would be very willing to give that information, or any information I can, of course. I would like, however, to say in explanation of that subject that the mere fact that two different companies may be manufacturing the same product does not necessarily make them from a business standpoint competitors because of their different locations and the different territory served, and all that sort of thing, which you can readily understand.

The CHAIRMAN. That is manifestly true, Judge?

Are you a director in the American Steel & Wire Co.?

Mr. GARY. Yes, sir.

The CHAIRMAN. Was that company ever an independent and distinct concern before it became a subsidiary company of the United States Steel Corporation?

Mr. GARY. It was.

The CHAIRMAN. Did it compete with other concerns making steel and wire and other products such as it manufactured and sold?

Mr. GARY. Do you mean other companies which became subsidiaries of the United States Steel Corporation?

The CHAIRMAN. Prior to the time that it became a part of the Steel Corporation; yes, sir.

Mr. GARY. I think it did not.

The CHAIRMAN. Did it compete with any companies prior to the time it became a subsidiary of the United States Steel Corporation in the making of nails and wire and such other products as it manufactured?

Mr. GARY. I think it did.

The CHAIRMAN. What per cent of the business did it control or manufacture at the time it became a subsidiary—I mean such products as it manufactured?

Mr. GARY. At the time of the organization of the United States Steel Corporation the Wire Co. had about 77 per cent of the wire-rod business of the country and had about 68 per cent of the wire-nail business. Those are the base products.

The CHAIRMAN. What was its capitalization, in stocks and bonds?

Mr. GARY. I think $90,000,000; $40,000,000 preferred and $50,000,000 common.

The CHAIRMAN. Are you a director in the Carnegie Steel Co.?

Mr. GARY. I am.

The CHAIRMAN. Is that a subsidiary company of the United States Steel Corporation?

Mr. GARY. It is.

The CHAIRMAN. Was that company ever at any time an independent company competing with other companies manufacturing like products?

Mr. GARY. It was.

The CHAIRMAN. Does it now compete with the other subsidiary companies of the United States Steel Corporation?

Mr. GARY. I should say it does, putting my interpretation on the word. I wish to be accurate, of course, and yet I intend to be perfectly frank, of course, and will give you the exact facts, so that you may place your own construction upon the facts. Undoubtedly the subsidiary companies of the United States Steel Corporation are influ-

enced and ultimately controlled by the United States Steel Corporation, because it is the owner of their stock.

Mr. BARTLETT. In other words, the United States Steel Corporation is not an operating company, but a mere holding company?

Mr. GARY. That is true. Now, of course the subsidiary companies having their boards of directors, respectively, and a full line of officers, from president down, have the right and the power to act independently of the United States Steel Corporation; but inasmuch as the latter is the owner of the securities, you can see that if the conduct of a subsidiary company was antagonistic, inimical, it would be only a question of time when the administration would be changed by the owner of the stock.

The CHAIRMAN. The directors of the United States Steel Corporation have power at any time they choose to exercise it to control the policy of any subsidiary company?

Mr. GARY. They would have in time; perhaps not for the moment, for the reason I have just given.

The CHAIRMAN. They exercise the power of recall?

Mr. GARY. They exercise the same power that the stockholders in any corporation have over the corporation itself. They may not do it for the day or the month, but when the election finally comes the stock owner controls the corporation.

Mr. BARTLETT. They can exercise the right of recall ultimately, but not at the time?

Mr. GARY. Yes, sir.

Mr. LINDABURY. When the year comes around.

The CHAIRMAN. As I understand, these subsidiary companies are separate legal entities? They have boards of directors and all the other attributes of a distinct corporation and separate legal personality?

Mr. GARY. That is correct.

The CHAIRMAN. They have certain rivals in the desire to produce the product in the quickest time or at the lowest cost, but they have an absolutely common interest?

Mr. GARY. They have.

The CHAIRMAN. The profits of any one of these subsidiary companies is not measured by its individual excellence, but by the production of all?

Mr. GARY. I think that is right.

The CHAIRMAN. The profits of each one of the subsidiary companies goes into the hands of the parent company and the dividends are divided by the parent company to each of the subsidiary companies?

Mr. GARY. No; that is not correct.

The CHAIRMAN. My idea is this: You declare your dividends and other profits from the common earnings of the entire concern, do you not?

Mr. GARY. Mr. Chairman, the earnings of the subsidiary companies, if and when and as declared in dividends, go into the treasury of the United States Steel Corporation, the owner of the securities, and the United States Steel Corporation then being the possessor and owner of these dividends, of course disposes of them as it sees fit. The subsidiary companies have no interest whatever in the dividends which they declare after they have been declared.

The CHAIRMAN. As I understand you, the parent corporation is not an operating corporation at all, but it gets its income from the dividends declared by the subsidiary companies, except that it gets money on loans or things of that sort?

Mr. GARY. That is correct.

The CHAIRMAN. Who or what authority chooses the officers of the subsidiary companies?

Mr. GARY. They are, of course, chosen by the directors on the boards, respectively, of the subsidiary companies, but nevertheless a suggestion or recommendation from the parent company, as you call it, the United States Steel Corporation, would be recognized.

The CHAIRMAN. Who chooses the directors in the subsidiary companies?

Mr. GARY. Of course the stockholders of the subsidiary companies elect the directors of those companies, as in all cases. I have already said that the stockholder of these subsidiary companies is the United States Steel Corporation. If you ask for the individual, I suppose I am usually the one who does that.

Mr. YOUNG. Right there: Is there some of the stock of these subsidiary companies owned by other parties besides the United States Steel Corporation?

Mr. GARY. That is true to a small extent.

Mr. YOUNG. But never enough to control the action of the subsidiary companies?

Mr. GARY. No. There is not any doubt, answering your question as I understand it, that the United States Steel Corporation, as the owner of most of the stocks of the subsidiary companies, ultimately controls the subsidiary companies, including their management and their conduct.

The CHAIRMAN. Does it ever occur that various ones of these subsidiary companies manufacture the same things? For instance, do you have more than one subsidiary company manufacturing steel rails?

Mr. GARY. Yes, sir.

The CHAIRMAN. Is the price fixed by one company for all of the subsidiary companies?

Mr. GARY. Yes, sir; the mill price would be the same, all things being equal.

The CHAIRMAN. Did I ask you for the capitalization, always including bonds, of the Carnegie Steel Co.?

Mr. GARY. You did not.

The CHAIRMAN. I would like to have that.

Mr. GARY. At the time of the acquisition?

The CHAIRMAN. At the time of the acquisition.

Mr. GARY. The stock of the Carnegie Co. amounted to $160,000,000, and the bonds to $160,000,000. There was a little additional indebtedness credited by liens of some kind, probably on purchases acquired from time to time, unmatured mortgages, or something of that sort, not very important.

The CHAIRMAN. Do you know the total sum paid to Mr. Carnegie and the other holders of stock in the Carnegie Steel Co. for the stock of the company and bonds?

Mr. GARY. The syndicate which had charge of the financing and organization of the United States Steel Corporation delivered to the

Carnegie interests $303,450,000 of bonds, $98,277,120 of preferred stock, and $90,279,040 of common stock, all issued by the United States Steel Corporation.

The CHAIRMAN. Are you a director in the H. C. Frick Coke Co.?

Mr. GARY. I think I am, Mr. Chairman.

The CHAIRMAN. That is a subsidiary company of the United States Steel Corporation?

Mr. GARY. No, sir; it is a subsidiary company of the Carnegie Steel Co. I should correct that answer somewhat. Some time after the organization of the United States Steel Corporation the coking coal properties of various subsidiary companies were transferred to or merged in the H. C. Frick Coke Co., and stock in that company for the relative value of the properties turned over to the Frick Co. by the subsidiary companies was issued to them in exchange, so that the Frick Coke Co. is owned largely by the Carnegie Co., and to the extent I have indicated by other subsidiary companies of the United States Steel Corporation.

The CHAIRMAN. It was taken over at the same time that the Carnegie Co. was?

Mr. GARY. It was.

The CHAIRMAN. Was Mr. Carnegie a large holder in the Coke Co.?

Mr. GARY. He was a large holder. I think he owned a minority interest. That is my impression.

The CHAIRMAN. Was the sum paid in cash or bonds or the issuance of stock of the United States Steel Corporation to the former owners and holders of the H. C. Frick Co.?

Mr. GARY. The answer I have given you includes all of the Carnegie interests.

The CHAIRMAN. The figures you have already given us include the Frick Co.?

Mr. GARY. No, sir. The figures I have given you include all of the Carnegie interests, which mean the Carnegie companies and all subsidiary companies of the United States Steel Corporation.

The CHAIRMAN. Of which this was one?

Mr. GARY. Yes, sir.

The CHAIRMAN. Were there any other companies included?

Mr. GARY. There were, of course, very large ore interests, the Oliver Iron Mining Co., of which the Carnegie Co. owned five-sixths, as I remember, the Pittsburg Steamship Co., having vessels on the Lakes, the Bessemer & Lake Erie Railroad, running from Pittsburg to the Lakes, a large proportion of which stock was owned by the Carnegie Co., various water companies throughout the coal district, the natural gas companies owning large interests, and quite likely others.

The CHAIRMAN. They were all properties of the Carnegie Steel Co. (Ltd.)?

Mr. GARY. I do not think that is quite accurate. The Carnegie Steel Co. (Ltd) owned certain properties, and afterwards the Carnegie Co., a corporation, was formed, and that corporation took over all of these interests. Some of them, I think, were owned by the Carnegie Steel Co. (Ltd.), and some, perhaps, not. I can not be exactly accurate from memory in regard to that, but I group the Carnegie interests in my general statement.

The CHAIRMAN. Before you became chairman of the board of directors of the United States Steel Corporation, you were identified with the Federal Steel Co., were you not, Judge?

Mr. GARY. I was.

The CHAIRMAN. What position did you hold under that company?

Mr. GARY. President.

The CHAIRMAN. It was a holding company, was it not?

Mr. GARY. It was.

The CHAIRMAN. Fashioned after the same pattern as the United States Steel Corporation?

Mr. GARY. Yes, sir. I would like to say that the United States Steel Corporation was fashioned after the Federal Steel. The organizations were very much alike.

The CHAIRMAN. The Federal Steel Co. was the parent company, in that sense, of the United States Steel Corporation?

Mr. GARY. It preceded the United States Steel Corporation about two and one-half years.

The CHAIRMAN. The United States Steel Corporation was in its essential attributes fashioned after the Federal Steel Co.?

Mr. GARY. Of course, the charters, by-laws, and so forth, will speak for themselves, but I think I can answer that in the affirmative. I think the organization of the United States Steel Corporation is substantially like the organization of the Federal Steel Co.

The CHAIRMAN. Was the Minnesota Iron Co. a subsidiary company of the Federal Steel Co. before the Federal Steel Co. became a part of the United States Steel Corporation?

Mr. GARY. It was.

The CHAIRMAN. And the Illinois Steel Co.?

Mr. GARY. It was.

The CHAIRMAN. And the Lorain Steel Co.?

Mr. GARY. It was.

The CHAIRMAN. Were there any other companies?

Mr. GARY. The Elgin, Joliet & Eastern Railroad. Those were the principal companies, and they in turn were the owners of the stocks of the various other companies.

The CHAIRMAN. I will ask you to state the character of these properties, whether they were manufacturing concerns or transportation concerns, whether they manufactured finished products or were they holders or iron ore and makers of pig iron, and the capitalization of each one of these subsidiary companies, including the stocks and bonds?

Mr. GARY. The Illinois Steel Co. was a manufacturing company. It had plants at South Chicago, West Chicago, North Chicago, at Joliet, Ill., and Milwaukee or Bay View, Wis. It was the owner of the Chicago, Lake Erie & Eastern Railroad, running from its plant at South Chicago to a point in Indiana, and also had trackage rights over the Chicago & Eastern Illinois into the coal fields of Illinois at Danville, and also over the Elgin, Joliet & Eastern Railroad from Chicago to Joliet, and various other terminal railroads, mostly terminal railroads, connected with the different plants. It was the owner of the Southwest Connellsville Coke Co., at Mount Pleasant, Pa., which manufactured coke. It was also the owner of the Eureka

Coal Co., which manufactured coke in Pennsylvania. It was the owner of some other coal lands in Illinois and other places, and various quarries of stone. It was a small owner of iron ore in Michigan and the owner of considerable iron ore of an inferior grade in Wisconsin, near Milwaukee. Its capital stock was $18,650,000, and $9,822,00 bonds or debentures had been issued by the company.

The Minnesota Iron Co. was the owner of a very large body of iron ore, located principally on the Mesaba and Vermilion Ranges, respectively, in Minnesota. It owned the capital stock of the Duluth & Iron Range Railroad, running from Duluth to Two Harbors, and thence north to Tower, and from Tower east to Ely, and from a point below Tower west on the Mesaba Range. It was also the owner of the stock of the Minnesota Steamship Co., the owner of a large number of boats on the Lakes. Its capital stock was $16,500,000. It has issued no bonds. The Duluth & Iron Range Railroad had issued bonds to the extent of $7,731,000.

The Lorain Steel Co. was a manufacturing corporation, manufacturing at Lorain, Ohio, pig iron, blooms, billets, and girder rails, and at Johnstown, Pa., railway supplies. Its capital stock was $6,000,000 of common and $3,000,000 of preferred, and it had issued bonds amounting to $1,400,000.

The Elgin, Joliet & Eastern Railroad is what is known as the outer belt line. It runs from a point on Lake Michigan about 30 miles east from Chicago, and runs around Chicago about the same distance to Waukegan, 38 miles north of Chicago, and had a branch line from Joliet to Aurora, Ill. It was a line engaged in general transfer business, having connections with all the railroads entering Chicago, and also served a large and growing business along its line. It was then and has always been a common carrier. Its capital stock was $6,000,000, and it has issued bonds amounting to about $7,500,000.

I have fully answered your question, except that I did not give the products manufactured by the Illinois Steel Co. It manufactures pig iron, ingots, blooms, billets, plate, and rails, some rods, and some merchant steel. Those are the principal products.

The CHAIRMAN. Each of these manufacturing concerns produces similar products?

Mr. LINDABURY. Similar to others of the subsidiary companies.

The CHAIRMAN. Did the Illinois Steel Co. and the Lorain Steel Co., for instance, manufacture the same products or any of the same products?

Mr. GARY. I do not think they did. I do not think they were in any respect in competition.

The CHAIRMAN. What was the extent of the ore and coal holdings of the Federal Steel Co. at the time it was absorbed by the United States Steel Corporation?

Mr. GARY. I have no figures at hand which will enable me to answer that question accurately. I suppose these figures have been very fully given in the annual report. They certainly have been published, and they are well known.

The ore holdings of the Minnesota Iron Co. were very large, and the ownership of coal by the Illinois Steel Co. was pretty large.

The CHAIRMAN. I want to get that before the committee in an official form, and will you please incorporate in your hearing the last annual report of the United States Steel Corporation?

Mr. GARY. I will do so. I have it here, and will furnish it now, or later.

Mr. BARTLETT. Is that the one for the year December 31, 1910?

Mr. GARY. Yes, sir.

Mr. LINDABURY. I think it might be marked upon condition that we be allowed to take it away and furnish it later. There can be no objection to that?

The CHAIRMAN. No, sir.

Mr. BARTLETT. I have one myself.

Mr. GARY. We have generally sent to most if not all the Members of Congress copies of our annual reports and other documents. As you know, we have made some effort to publish our facts and figures.

The CHAIRMAN. Those annual reports are given wide circulation, but what I mean is this, that a mere report has not that official sanction like where it is put in the hearing, and we wish to bring the facts officially before the committee.

Mr. GARY. Very well, I shall be glad to furnish it.

Mr. LINDABURY. With a statement from Judge Gary that it is accurate so far as he knows and believes; I suppose that is what you want?

The CHAIRMAN. Yes, sir.

Mr. GARY. I believe it to be strictly accurate.

The CHAIRMAN. But a great many of these matters of general knowledge do not have that official sanction that the committee prefers.

Mr. LINDABURY. Very well.

The CHAIRMAN. Are you a director of the National Tube Co.?

Mr. GARY. Yes, sir.

The CHAIRMAN. Is that a subsidiary company of the United States Steel Corporation?

Mr. GARY. It is.

The CHAIRMAN. What is its capitalization?

Mr. GARY. $40,000,000 of common stock and $40,000,000 of preferred stock.

The CHAIRMAN. Was this company, up to the time it was absorbed by the United States Steel Corporation or became a part of that corporation, engaged as an independent company or as an independent concern in the manufacture of steel products?

Mr. GARY. At the time of the organization of the United States Steel Corporation it was, of course, entirely independent of any other company, so far as I know.

The CHAIRMAN. Are you a director, Judge, in the Tennessee Coal & Iron Co.?

Mr. GARY. I am.

The CHAIRMAN. Was it ever at any time an independent concern prior to its absorption by the United States Steel Corporation?

Mr. GARY. Independent of all other companies; it was quite dependent so far as gaining a livelihood was concerned.

The CHAIRMAN. I have been touched with the sad condition of the Tennessee Coal & Iron Co.

Mr. GARY. I will be glad to give you all the facts in regard to it; everything you wish to know.

The CHAIRMAN. What is the capitalization of the Tennessee Coal & Iron Co?

Mr. GARY. $32,529,997.50 of common stock and $124,500 of preferred stock. It has bonds amounting to $14,330,100, and it owes the United States Steel Corporation for money advanced which has not been capitalized yet, $10,167,708.50.

Mr. LINDABURY. If the committee desires, we will furnish at any time a tabulation of the figures which will be very much more convenient, and by putting them in that form you can understand them easier.

The CHAIRMAN. We will appreciate that. Are you a director, Judge, in the Union Steel Co?

Mr. GARY. Yes; I think I am.

The CHAIRMAN. Is that a subsidiary company of the United States Steel Corporation?

Mr. GARY. It is.

The CHAIRMAN. Was it ever at any time an independent concern?

Mr. GARY. It was.

The CHAIRMAN. What does it manufacture, and what is its capitalization?

Mr. GARY. Its capital stock is $20,000,000, and its bonded indebtedness about $35,728,000. It owes the United States Steel Corporation $8,000,000 or $10,000,000, money advanced which has not been capitalized.

Mr. BARTLETT. That is the Union Steel Co.?

Mr. GARY. The Union Steel Co. It manufactures pig iron, semi-finished steel plates, and wire. It is the owner of a large body of ore and of considerable coking coal.

The CHAIRMAN. Can you give us the amount of ore it owns in tons?

Mr. GARY. No, sir; I can not do that.

The CHAIRMAN. That information is available, is it?

Mr. GARY. Yes, sir.

The CHAIRMAN. I will ask you to incorporate that, the coal lands in acres and the ore in tons.

Mr. LINDABURY. I am not sure that I understand what you mean by incorporating it in the testimony. I suppose that we had better furnish that later, at the foot of Judge Gary's testimony, or something like that?

The CHAIRMAN. That will be all right.

Mr. GARY. I will say this, that at any time during your investigation we will send you information concerning all these subjects or any subject that this committee is interested in. We will give you all the facts and figures pertaining to our corporation or any of the subsidiary companies or our business.

The CHAIRMAN. I can assure you, Judge, that the committee will appreciate your willingness and promptness in so doing. Of course, this committee is very hungry for facts and figures.

Mr. GARY. You need only to request information. We stand or fall on our record, whatever it is, of course.

Mr. BARTLETT. I suggest, Mr. Chairman, that a transcript of the judge's testimony may be furnished him, and that he place this information in such places as he thinks proper.

Mr. GARY. Very well.

Mr. LINDABURY. These requests will appear in the minutes, and we will gather them up later on from the minutes and furnish the information to the committee.

Mr. BARTLETT. My suggestion was that they be placed in the testimony at such places as Judge Gary thinks will show the connection with his testimony so that they will not be disjointed, things thrown in without any reference to the testimony.

The CHAIRMAN. I think Judge Bartlett's suggestion is very wise, and I will state to Judge Gary that a copy of this report will be furnished him, if he so desires, we will be glad to do so, and it will make this very interesting account of the affairs of the concern more lucid and more illustrating if these figures come in at the places suggested.

Mr. GARY. All these facts and figures, as you know, are well known, and have been published over and over again.

The CHAIRMAN. Some of them have not. There has not been any publication of some of the facts.

Mr. GARY. Moreover, the Bureau of Corporations of the Department of Commerce and Labor has been for six years examining our books in detail. I suppose that they have a mass of documents that would fill quite a large portion of this room.

The CHAIRMAN. You say they have been examining your records for four or five years and closely looking into your affairs?

Mr. GARY. They have. I think they are nearly finished now. You have no idea, Mr. Chairman, how much labor is involved in that. I do not know how much it has cost us to furnish the information, but many hundreds of thousands of dollars.

The CHAIRMAN. Have they accurate information as to the very inside of your operations?

Mr. GARY. I think they have.

The CHAIRMAN. Do you know whether that information has ever been furnished to the present President or the ex-President of the United States?

Mr. LINDABURY. I beg pardon, but should such a question be asked?

The CHAIRMAN. I think so, and it should be answered.

Mr. LINDABURY. If the question was whether the information was furnished by Judge Gary or the Steel Corporation, it might be proper; but to ask Judge Gary's opinion——

The CHAIRMAN. When a question is asked, if you object to answering it, why, of course, you will let that be known, and the committee will pass upon it.

Mr. YOUNG. It would not seem to me that there ought to be any objection on the part of Judge Gary to furnishing any information he actually has. We have no use, of course, for anything he does not know, but anything he knows of, it seems to me, would be proper.

Mr. GARY. If you will allow me, and my counsel will allow me, I have no objection to stating anything I know. Of course, I will not undertake to say anything I do not know. I have no knowledge as to whether or not the Department of Commerce and Labor has furnished any of this information to the President. There is no way I could know that. This has been a very long and tedious undertaking, and it is not yet quite completed, I think, but I believe from information that the report of the commissioner will soon be made to the President, I sincerely hope within the next few months at the farthest, and I could only express an opinion, but I doubt whether the report has ever been completed or the investigation fully completed. Now, as to whether or not from time to time the depart-

ment has furnished the President with information, I do not know. I do know that during the examination before the Ways and Means Committee, when I appeared as a witness a couple of years ago, whenever it was, the committee had from the Department of Commerce and Labor figures relating to our business and our company and our cost and various things which were involved at that time in the investigation.

Mr. BARTLETT. That was merely to ascertain what duty should be placed upon iron and steel, and so forth?

Mr. GARY. That was the purpose of the investigation.

The CHAIRMAN. The newspapers quote you in an interview—I suppose you will recall it—as saying that the Attorney General had examined into the affairs of the United States Steel Corporation and had given it a clean bill of health, or words to that effect, if you recall?

Mr. GARY. I never made any such statement or words to that effect, and it is not true.

The CHAIRMAN. I do not assert that it is true; I simply assert that it was currently reported in the papers.

Mr. GARY. I mean that I could not in truth make any such statement as that.

The CHAIRMAN. Are you a member of what is known as the American Iron and Steel Institute?

Mr. GARY. I am its president.

The CHAIRMAN. What is the scope and character of that concern; is it incorporated?

Mr. GARY. It is.

The CHAIRMAN. Of what concerns is it composed?

Mr. GARY. No concerns have anything to do with it.

The CHAIRMAN. Please explain it.

Mr. GARY. The members are individuals. I will be glad to send you a copy of its charter, its constitution, its by-laws, and a list of the members, if you desire, and a copy of the proceedings of the institute from the beginning.

The CHAIRMAN. I will sincerely appreciate it. Generally speaking, what is the purpose of that organization?

Mr. GARY. It is to collect and disseminate information concerning the economic and ethical questions applicable to and in which the iron and steel makers generally are interested. Of course that is more or less general, but if you should read the minutes of the annual meeting last October you will get a very good idea of what the object of the institute is. The addresses of the different ones selected for that purpose are all printed. The address of the president of the association, which, I assure you, has not much literary merit, is included, and it will give you a very good idea of the object of the organization of the institute and what it hopes to accomplish.

The CHAIRMAN. It is an organization of individuals engaged in the steel business?

Mr. GARY. That is true.

The CHAIRMAN. It is industrial and social, in a way?

Mr. GARY. I do not know whether I can quite answer that question.

The CHAIRMAN. I mean in your meetings, that you usually meet at dinner or something of that kind? You do a great deal of that business in New York, which is a most delightful way, and it almost makes me wish that I were a steel man.

Mr. GARY. I know that you refer to what have been designated as the "Gary dinners."

The CHAIRMAN. No; I did not know that they had been so designated, Judge. Certainly there is no reflection upon any dinner or the giver.

Mr. GARY. I would be very glad to send you copies of the proceedings; that is, all of the speeches at several of the last dinners and the speeches so far as reported at former dinners. I speak of this because I know there have been suggestions to the effect that at these dinners there was an effort to control and regulate and agree upon prices of commodities sold. I assure you, Mr. Chairman, that the contrary of that is true. On several occasions what I said was taken down and afterwards printed.

The CHAIRMAN. Are the representatives of the press admitted to those dinners?

Mr. GARY. No; not the general press. The trade papers have been represented by their editors generally.

The CHAIRMAN. What are the reputable trade papers of this country?

Mr. GARY. The Iron Age, the Iron Trade Review, and the Manufacturers' Record, of Baltimore, are three of the important and leading trade journals. Of course, there are many others. Those are the ones I referred to as having been admitted to the dinners.

The CHAIRMAN. I do not mean to interrupt you, but are the representatives of the foreign trade journals admitted?

Mr. GARY. No; there has never been any request for admission.

The CHAIRMAN. Is the foreign trade journal called the Ironmonger published under the auspices of the Iron and Steel Institute?

Mr. GARY. I do not know of any such publication. You mean the British publication?

The CHAIRMAN. Yes, sir.

Mr. GARY. I do not think it is published under the auspices of the British Iron and Steel Institute. It is published in England.

The CHAIRMAN. Is it a reputable journal?

Mr. GARY. I have no knowledge or information on that subject.

The CHAIRMAN. Is this institute in any degree international in its operations?

Mr. GARY. It is not.

The CHAIRMAN. Have you ever sought to make it international?

Mr. GARY. I have not. I would be very glad to tell you what I have advocated and what I hope for and what I am seeking to do.

The CHAIRMAN. In that connection, I have understood from reading these trade journals for some time back that the ultimate purpose of this institute was to reach an amicable agreement among the eminent gentlemen engaged in the iron and steel business in this and foreign countries, so that there might be what they consider a legitimate and necessary steadiness in prices in the rest of the world similar to that steadiness which we now witness in prices in this country.

I will be perfectly frank with you and say one of the moving causes why I introduced this resolution, under which we are operating, was a dread, whether well founded or not remains to be seen from the investigations of this committee, that within 90 days, perhaps, this institute or some similar institute would have come to such an

agreement. I have heard it intimated that such an agreement became primarily necessary on account of the fact that the Federal Government was especially active in order to prevent agreements of that kind in this country, and because the Federal Congress was liable to alter the tariff schedules, both of which suggested influences on prices could only be met and adequately adjusted by an organization international in its character.

I wish to call your attention to an editorial published in the Ironmonger, in London, on May 13, 1911. I will give you a copy of this editorial, so that you may look it over very carefully, and when the committee meets again you may explain to the committee all you know of the accuracy of the charges made there, that this international trade agreement for fixing the prices of rails, armor plate, and other things throughout the world is due especially to the genius and able management of the chairman of the board of directors of the United States Steel Corporation.

Mr. GARY. May I just say one word? The statement of the chairman is unusually frank and certainly entitles the chairman to the respect of the one who happens to be on the witness stand.

The CHAIRMAN. I thank you.

Mr. GARY (continuing). And the question will be met in exactly the same spirit, and I will be glad to give you the facts, and all the facts, in relation to the subject matter of your inquiry. I only wish you had come to my office before, and I would have given you the facts to satisfy you, I believe, that you have been laboring under a misapprehension with respect to the real object which is sought to be accomplished.

The CHAIRMAN. I certainly appreciate the hospitality of the witness, and his very courteous statement, and I am glad in this case that the mountain has come to Mahomet. I could not go to New York on account of my many congressional duties, and you have been good enough to come here.

The committee will stand adjourned until 10 o'clock to-morrow morning.

(Thereupon the committee adjourned to meet to-morrow, Friday, June 2, 1911, at 10 o'clock, a. m.)

No. 3

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON INVESTIGATION OF
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Friday, June 2, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

STATEMENT OF MR. ELBERT H. GARY—Continued.

The CHAIRMAN. Judge, at the close of the last meeting I asked you something concerning the Iron and Steel Institute, and called your attention to an editorial in the Ironmonger. If you have any statemet to make in reference to that you can make it now.

Mr. GARY. Mr. Chairman, the question, as it seems to me, opens up a consideration of what has been referred to as proceedings at some of the dinners, as well as a proposed international iron and steel institute; and with the permission of the committee I will endeavor to state, as briefly as I can, exactly what is involved in the whole subject matter, intending to show what we have done and what our intentions have been and are.

The chairman inquired yesterday whether or not representatives of the press were admitted to the dinners, and I answered in the negative, except as to the editors of three of the trade journals. The real reason for not making it an open meeting is found in the fact that there is always more or less risk of a misstatement of exactly what occurred, unless the representatives are thoroughly familiar with the subject matter. For instance, it was published in one of the papers this morning that the witness on the stand yesterday admitted that the United States Steel Corporation was dominant, or in control of the domestic steel business of this country. Of course that was not intended as a misstatement; but it did not represent the facts, and whoever wrote it supposed that because the United States Steel Corporation was admitted to be dominant as to the subsidiary companies of the United States Steel Corporation that, therefore, it admitted it controlled the whole business of this country—very far from the fact. I am not making any complaint, but nevertheless there is always that danger.

As a matter of fact, the United States Steel Corporation at the time it was organized had about 60 per cent of the steel business of this country, and at present has about 50 per cent of the domestic steel business of this country, as I am prepared to show you by the figures in detail, if you care to know, later.

Now, at the time of the panic in New York there was, of course, great demoralization temporarily in business, and the fear existed that that would be spread and might be prolonged. The iron and

steel industry has been recognized as one of the leading barometers of trade, and it was believed by many people of prominence to be equally important, if practicable, to prevent a great demoralization in the steel trade. Moreover, many of the leading jobbers, so called, throughout the country were possessed of large quantities of material which they had purchased for resale, and if the prices of those commodities should be materially reduced, of course the inventories of those gentlemen would be materially marked down, their banks would call upon them for the payment of loans, and in many cases at least it was believed there would be failures and bankruptcies, and if such conditions were brought about it seemed to be the consensus of opinion that the panic would be long continued.

Now, I need not suggest to lawyers, at least on the committee, and perhaps you are all lawyers, I do not know about that, that the interpretation of the Sherman Act has been more or less involved in doubt. Evidently the act was intended to prevent the existence and exercise of monopolies and also the restraint of trade. A company like the United States Steel Corporation, with 50 per cent of the domestic steel business of this country, was confronted with two propositions. It had no right to endeavor to prevent reductions in prices, or, in other words, to maintain the equilibrium of business and maintain prices substantially level or at least free from sudden and violent fluctuations by means of any sort of an agreement express or implied. We had no lawful right, as I understand, to make any agreement, express or implied, directly or indirectly, with our competitors in business to maintain prices, notwithstanding we were receiving letters daily from the jobbers all over the country begging us, if possible, to prevent demoralization and to prevent decrease in prices which should mark down their inventories and in many cases subject them to the risk of bankruptcy. On the other hand, considering this same question of sustaining, so far as practicable, the equilibrium of trade, we believed we had no moral or legal right to become involved in a bitter and destructive competition, such as used to follow any kind of depression in business among the iron and steel manufacturers, for the reason that if we should go into a competition of that kind it meant a war of the survival of the fittest; it meant that a large percentage, as in old times, of the people engaged in the manufacture of steel would be forced into bankruptcy for many reasons—their facilities for manufacture were not so good, their cost of production was high, their equipment, their organization, their decreased ownership of some of the raw products and other things of that kind which enter into the cost of production, would place them at a disadvantage, and therefore it was believed, by me at least, that it was not for the best interests of the manufacturers generally or for their customers who desired stability as opposed to demoralization and wide fluctuations or for the employees of the various corporations throughout the country who desired, so far as possible, steady work—continuous work at the best prices, and a wide, sudden, extreme lowering of prices necessarily meant reduction in the wages. Reductions were advocated almost at the start of the panic of 1907, and many of you know that our company took a leading part in opposing that and we went through that panic without making any reduction in wages, although many, if not all, of our competitors before the year was terminated did materially reduce their wages.

Now, the question was how to get between the two extremes of securing a monopoly by driving out competition, however good-naturedly, in a bitter, destructive competition or without making any agreement, express or implied, tacit or otherwise, which should result in the maintenance of prices, and so, gentlemen, I invited a large percentage of the steel interests of the country to meet me at dinner and then presented these views to them and, so far as I could, the results of our becoming demoralized and extreme decreases in prices like those which obtained under the old régime. Then, I said that it seemed to me the only way we could lawfully prevent such demoralization and maintain a reasonable steadiness in business, whether we lowered the prices from time to time or not, whether depending upon circumstances we were willing to make concessions or reductions after the jobbers had relieved themselves of the large lots, so as to prevent demoralization, was for the steel people to come together occasionally and to tell one to the others exactly what his business was. In other words, a disclosure by each one to all others of all the circumstances surrounding his particular business. In other words, to state it simply, if three men, gentlemen on this committee, were practicing law in a certain town and each one knew that the customary fee for services in court was $50 a day and a gentleman from another part of the country should locate in that town and make a totally different price, very much lower, he would immediately get up some sort of competition amongst these professional men. If those three men, however, on this committee, were in daily conference and each one knew that the others did not propose to change the fees, probably this outsider would not make very much headway in creating a demoralization.

Mr. BARTLETT. I do not think your illustration is very apt, because the lawyers do not furnish the same kind of finished material as those engaged in the manufacture of steel.

Mr. GARY. Of course, it only applies so far as it comes within the views which I have stated, which assumed that it had been the established practice of the three lawyers I suggested to charge that price as a reasonable price. That, of course, is a very crude illustration, but I think it makes the point.

Mr. BARTLETT. It has been a long time since there has been any effort anywhere to control the fees of lawyers. There was a time in England when it was not only not permitted, but was prohibited.

Mr. GARY. You can not control the fees of the lawyers and you can not control the prices of steel in the way I have suggested. We have never controlled the prices and we never mean to control the prices, and we do not expect to in that way; but we have by this interchange of information prevented the demoralization which otherwise would have resulted. We have not done more because we could not do more.

You know, for instance, that last week—I think it was last week—one of the manufacturers of iron and steel made sudden cuts in their prices, and of course the others had to follow. Whether it was wise to make them at that time I do not know. Personally, I have never stood for unchanged or unchangeable prices. I do not believe in that. I believe the price under no circumstances should be above what is reasonable and fair.

The CHAIRMAN. If I apprehend you there, taking that statement with your previous statement, you believe that prices should be subject to change not through the external exigencies of trade or through natural or unnatural conditions, such as panics and the like, that they ought not to absolutely control prices, but that prices should change through the common consent and the kindly concurrence of the men most interested in those prices?

Mr. GARY. No; your statement is all right until you come to the last part.

The CHAIRMAN. I may have misunderstood you.

Mr. GARY. I do not believe in the change by common consent. I do not believe you have a right to do that, but I do believe that if one individual is possessed of information concerning the conditions surrounding the other's business that it prevents many times, and perhaps in most cases, the extreme, the unreasonable, the bitter, and destructive competition which used to exist. Not only that, I believe it prevents the increase of prices.

I am very sure the committee is aware of the fact that it has been an effort of the United States Steel Corporation always to prevent an unreasonable or sudden increase of price of its commodities. The old way of doing business was for the man who had a purse big enough to go into the trade and keep his mills full regardless of the effect it had on other mills throughout the country. If he could not sell at a profit, he sold at cost or below cost temporarily. He made it certain that his mills were kept running all the time, whether or not the result was to drive all his competitors entirely out of business. That is why there would be so many failures in the iron and steel business. Then, on the other hand, at times when the demand was very great and the customers were willing to pay almost any price to get prompt deliveries he would take advantage of that and put his price up as high as the trade would stand. I do not believe that is for the best interests of the country. I do not believe it is for the best interests of the consumer. I know the consumers do not like that. It is not for the best interests of the employees, and it is not for the best interests of the general business conditions. Stability, so far as it is practicable, is a thing often needed.

The CHAIRMAN. I do not wish to interrupt the witness, but there is one statement that is surprising to me, and that is this obstinate hostility of the consumer to a reduction in prices.

Mr. GARY. You have stated it perhaps different.

The CHAIRMAN. Too strong?

Mr. GARY. I think you have.

The CHAIRMAN. I was surprised, although I may have misunderstood you. You spoke of the consumer objecting to fluctuations in prices, in which event he would have to object to a fall as well as a rise?

Mr. GARY. I think any of us would rather have the prices of our tailor or our grocer substantially uniform, assuming they are fair and reasonable, year in and year out, than to have the prices very low in the time of panic and depression and then in other times very high and unreasonable. I think what the customer prefers is to have reasonable stability of prices. For instance, a man is desirous of putting up a steel building, and he finds the price of steel $30 a ton. If he thinks that is a reasonable price, he is perfectly willing to pay

it unless he knows by experience or fear that next week another man can go to the same producer or some other producer and buy the same material 30 per cent cheaper, which would enable his competitor to put up a cheaper building and unduly compete with him in renting the building.

When the business is conducted in the way it used to be conducted, very frequently some of the men engaged in trade take advantage of the necessities of a competitor and suddenly and unduly drop the prices and drive him out of business. That has been resorted to. The customer does not like that, as a rule. He wants to know what he can depend upon.

I do not hesitate to say, Mr. Chairman, in connection with your suggestion, what I said two or three years before in appearing before a congressional committee. I realize as fully, I think, as this committee that it is very important to consider how the people shall be protected against imposition or oppression as the possible result of great aggregations of capital, whether in the possession of corporations or individuals. I believe that is a very important question, and personally I believe that the Sherman Act does not meet and will never fully prevent that. I believe we must come to enforced publicity and governmental control.

Mr. YOUNG. You mean governmental control of prices?

Mr. GARY. I do; even as to prices, and, so far as I am concerned, speaking for our company, so far as I have the right, I would be very glad if we knew exactly where we stand, if we could be freed from danger, trouble, and criticism by the public, and if we had some place where we could go, to a responsible governmental authority, and say to them, "Here are our facts and figures, here is our property, here our cost of production; now you tell us what we have the right to do and what prices we have the right to charge." I know that is a very extreme view, and I know that the railroads objected to it for a long time; but whether the mere standpoint of making the most money is concerned or not, whether it is the wise thing, I believe it is the necessary thing, and it seems to me corporations have no right to disregard these public questions and these public interests.

Mr. LITTLETON. Is it your position that cooperation is bound to take the place of competition?

Mr. GARY. It is my position.

Mr. LITTLETON. And that cooperation therefore requires strict governmental supervision?

Mr. GARY. That is a very good statement of the case. I believe that thoroughly.

Mr. LITTLETON. Is it your position that the Sherman antitrust law recently interpreted by the court nevertheless leaves an archaic law to deal with the modern situation?

Mr. GARY. It is.

Mr. LITTLETON. It is your position that that practically orders a continuance of the old warfare of competition?

Mr. GARY. I am afraid it does. I do not know that it does, but I fear it does. I know by your questions that you realize the position we occupy, the position we do not wish to occupy. We do not want to be dealing in uncertainty, groping around in darkness, not knowing what we have the right to do.

Mr. YOUNG. Judge, I suppose you have given this a great deal of consideration. Do you think the National Government, under the Constitution, would have the right to fix prices at which corporations should sell their products?

Mr. LINDABURY. In interstate business?

Mr. YOUNG. In interstate business.

Mr. GARY. I have given it a great deal of consideration. Of course, I must admit that I am not competent to answer your question, but my opinion is that, so far as it relates to interstate commerce, the Federal Government has that right. That is a departure from what are supposed to be well-recognized and well-settled principles.

Mr. MCGILLICUDDY. Do I understand, Judge, that at the incorporation of your company there was a demoralization in the matter of the steel business?

Mr. GARY. No; not at that time.

Mr. MCGILLICUDDY. Prior to that time?

Mr. GARY. There had been from time to time, but there was not at that time.

Mr. MCGILLICUDDY. Your desire was to bring about a state of stability in production and prices?

Mr. GARY. That was not the real object of our incorporation. We have grown into the position which we occupy now and which I have stated.

Mr. MCGILLICUDDY. Is it true that now your corporation is in a position where you can maintain a stable condition of prices?

Mr. GARY. It is not; far from that. It is not the big company that makes the market. It is the small company, disposed to cut prices, which makes the market, because when two small companies begin to cut, then, of course, the others must reduce their price or there would be complaint on the part of their customers. It is a great mistake to suppose that we can dominate the market price, a great mistake; but it is not a mistake to say that our influence in the way I have suggested—by cooperation—spoken of by Mr. Littleton, has had a very great result in securing reasonable stability in business and preventing demoralization.

Mr. MCGILLICUDDY. What percentage of the ore does your company control?

Mr. GARY. At present?

Mr. MCGILLICUDDY. Yes, sir.

Mr. GARY. I think there is a Government report on that.

Mr. MCGILLICUDDY. I mean in a general way, about what proportion?

Mr. GARY. The Government report gives it, I think, at about 50 per cent, a little less than 50 per cent. I had supposed it was rather more than that. That is, of the available ore.

Mr. YOUNG. Available commercially to-day?

Mr. GARY. That is what I mean. Of course, there are immense quantities of ore in the United States not yet considered merchantable ore, but which will come into the market, billions of tons.

Mr. YOUNG. Hundreds of billions?

Mr. GARY. Yes, sir.

The CHAIRMAN. At that point, you practically control a monopoly, I believe, of the ore supply of this country?

Mr. GARY. Before you ask that question, permit me to finish the other.

The CHAIRMAN. Certainly.

Mr. GARY. Not that I want to talk, but I did not answer your question.

These meetings which I have referred to led up to the organization of the American Iron and Steel Institute, which is calculated to embrace a great many subjects, particularly the welfare of our men. I have here, which I will be glad to submit to the committee, the brief address I made at one of these steel dinners in December, 1908, which attempted to clearly state what our position was and what we had been doing and what we intended to do. Then, I also have printed copies of the speeches of all who were present at one of the very last dinners I gave. I did not know that the speeches were being taken down. I did know that the stenographer intended to take what I said. I found that he took what everyone said, and then I thought it would be well to have it all written up and distributed among those who made them, and they were printed and sent out. They will give you, gentlemen, full information as to exactly what took place, and you will see at that time that the welfare of the men was one of the principal discussions, and at these meetings of the American Iron and Steel Institute that has been one of the principal subjects. Then, of course, methods of operation, technical questions, improvements in our methods are taken up and considered, and various other questions in which we are interested.

This last fall the American Iron & Steel Institute invited several of the gentlemen manufacturing in foreign countries to come over here as their guests, and they spent a week or 10 days with us. Everything that took place was printed, and at that time it was suggested that we have an International Iron & Steel Association, which should be of the same general scope, and a meeting was called for July 5 and July 6 at Brussels, and representatives from all the steel-making countries have been selected to attend those meetings, and it will be suggested then that an international association be formed on these lines, unless something comes up to make it appear to me and to others that we ought not to do it from a legal standpoint or from a moral standpoint. That is a matter we have to consider. I will not intentionally be put in a position where anyone has the right to say that I intend to violate any law or to oppose the best interests of the public. I intend to say that modestly, but those are my views and those are the views of the members of the finance committee, the controlling body of the United States Steel Corporation.

The CHAIRMAN. Judge, this proposed institute is similar in its operation and purposes to like concerns which have for years internationally looked after the best interests of armor-plate prices?

Mr. GARY. I do not know what you refer to, Mr. Chairman.

The CHAIRMAN. Well, the Secretaries of the Navy for years have reported that there was an organization, whether it would be called an institute or not I do not recall, but an organization, international in its scope, which prevented these hurtful fluctuations in prices of which you speak. I presume this institute is along the same lines.

Mr. GARY. I do not know what you refer to, and I am very sure, if there is such a thing as you suggest, it has nothing to do with what I have been talking about, nor would I would be willing to

admit there is anything else on the same line. There is a British Iron & Steel Institute which devotes its attention entirely to technical questions. Our association, or this international association which I have referred to and which may be organized, will consider those questions, but many other questions, ethical questions, sociological questions, and questions that nowadays I believe thinking people believe to be as important as the mere question of making a little money.

The CHAIRMAN. Infinitely more so, Judge.

Mr. GARY. Well, I agree with you, Mr. Chairman. Now, I do not know what you refer to, and I have no knowledge or information on that subject.

The CHAIRMAN. I would give you a more definite statement if I could, Judge. I have not the technical name before me, if it has one. It was called by the Secretaries of the Navy by a name more emphatic than I care to use, and I am at a loss for a euphoneous expression that would be entirely void of offense, and, at the same time, would distinctly convey my meaning.

Mr. GARY. Do you refer to the control of armor plate by patents?

The CHAIRMAN. No, sir; I refer to control of armor plate by contracts, international in their scope.

Mr. GARY. I do not know of any, and I have never heard of any.

The CHAIRMAN. Have you been in the armor-plate business for some time?

Mr. GARY. The Carnegie Co. makes armor plate.

The CHAIRMAN. Did the Federal Steel Co. make armor plate?

Mr. GARY. No; it did not.

The CHAIRMAN. Then that probably accounts for it.

Mr. GARY. From the standpoint of dollars and cents, I am sorry the Carnegie Co. manufactures it.

The CHAIRMAN. The Carnegie Co. made armor plate for several companies, the Bethlehem Co. and several others, and the Secretaries of the Navy, with the exception of the last Secretary I believe, for about 16 years have reported to Congress that there was absolutely no competition worthy of the name in the manufacture of armor plate on account of international agreements. They spoke rather harshly of the agreements on account of their effect on the quality of the armor and upon the Treasury of the Government.

Mr. GARY. I think the chairman is mistaken, but I may be mistaken. I do not know about that.

The CHAIRMAN. I am speaking with reference to the Secretaries of the Navy, and they may be mistaken in their deductions. Now, Judge, you spoke of the amount of control of ore. Did not the United States Steel Corporation, on December 18, 1908, have a practical control of the ultimate and available supply of iron ore in this country?

Mr. GARY. No; we did not. If you refer to my testimony before the Ways and Means Committee, I would be very glad to have you state it, and I will tell you what I had in mind.

The CHAIRMAN. I will read that. Mr. Cockran asked the question:

I think it is on your statement that among the conditions that contribute to that situation an important element is your ownership and control of the ore supply?

Judge GARY. Yes; of course it is.

Mr. COCKRAN. You practically do control the ore supply of the country?
Judge GARY. No; not now; not for the immediate future.
Mr. COCKRAN. Well, the ultimate supply?
Judge GARY. Yes; I think so; that is, pretty nearly. It is not absolute control.

Mr. GARY. Now, this is what I had in mind at that time. In the first place, I did not have the figures before me as clearly as I have since. Those questions were asked me without giving me any previous notice, and therefore without opportunity to look into the figures. But, at that time, I believed the United States Steel interests had control of something like 65 or 70 per cent of the best ores in the Northwest, and I believed the ores which others had would be exhausted before the ores in the control of the United States Steel Corporation. If so, the time would come when they would be in possession of some of those ores after the others were exhausted; and then, of course, the others would be compelled to use ores which at the present time are not even merchantable, which, as I have said, are scattered all over this country. In the different ranges of mountains there are billions of tons.

The CHAIRMAN. Judge, where is the present most available ore supply located?

Mr. GARY. Where is the present supply located?

The CHAIRMAN. Where is it located in this country? I mean the largest and most available supply, and when I use the word "available" I mean as to the content of metal, to the facility of mining, and to the facilities for transportation. Ore supplies, as I understand it, to be available must be where they can be mined with comparative ease at a reasonable cost, and must be on or near the line of some great common carrier or a number of common carriers.

Mr. GARY. The largest portion of the best ores are located in Minnesota, on the Mesaba and Vermilion Ranges. There is a large quantity of ore as good or better in Michigan, on the Menominee, Gogebic, and Marquette Ranges. Those are the ores which principally supply the furnaces for the large markets of this country. There is a large body of ore in the South, in Alabama. That is a very much inferior grade of ore. By reason of its proximity to coal and stone, the cost of assembly there is low.

Mr. BARTLETT. You refer to the ore in Alabama?

Mr. GARY. Yes; in Alabama. But, of course, that ore is only available to a limited territory, and therefore would have little, if any, value outside of that territory. In considering the value of ore there are three prominent things to be taken into consideration: First, the cost of assembly of the raw materials—that is, bringing to the furnace the ore, the stone, and the fuel; secondly, the cost of manufacture——

The CHAIRMAN (interposing). Now, right at that point——

Mr. GARY. Allow me to finish this statement.

The CHAIRMAN. Certainly.

Mr. GARY. Thirdly, and more particularly, the cost of delivery of the finished product to the market which will take it. That is very important.

The CHAIRMAN. You spoke of the cost of assembling the ore, I believe, in a discussion before the Ways and Means Committee when you were asked about the propriety of removing the duty from ore.

You stated—and I quote from memory, and if I quote inaccurately you will correct me—that such a course would be unwise on account of the fact that in some portions of Germany, among other places, they had ores more accessible to the places at which they were converted or where they could be converted into the finished product at a less transportation cost, and for that reason it would be unwise to take the duty off of ores; is that correct?

Mr. GARY. Mr. Chairman, your statement of my testimony is inaccurate; I am quite sure.

The CHAIRMAN. I did not mean to misquote you. I am quoting from memory; but I understood that is what you referred to.

Mr. GARY. Yes; I know what you refer to. I think you will find I expressed no opinion in regard to the removal or the reduction of the tariff on iron ore. I think I asked to be excused from expressing any opinion. I said we were not interested in that question particularly; that others in this country were interested in it, and I preferred to let them speak for themselves. However, I did say that I believed iron and steel could be manufactured in some parts of Germany as cheap and at as low a cost or lower cost than anywhere else in the world, and I gave my reasons for saying that.

The CHAIRMAN. What is the metallic content of the ores of this Superior region as compared with those of Germany?

Mr. GARY. As compared with Germany?

The CHAIRMAN. Yes.

Mr. GARY. I can not give you the percentage of metallic iron in the German ores, but the ores I have been referring to as being in the Northwest are very much higher in metallic iron content.

The CHAIRMAN. I believe we can get at that approximately. You stated, if I remember correctly, that 2 tons of the Superior ore were practically equivalent to 3 tons of the German ore?

Mr. GARY. I think that is so. I believe that is about right.

The CHAIRMAN. And if I remember correctly, the metallic content of the Superior ores is about 55 per cent?

Mr. GARY. Fifty-five to sixty; yes.

Mr. YOUNG. Do you mean all the ore of the Lake Superior region, or what is called first-class ore?

Mr. GARY. First-class ore.

The CHAIRMAN. Judge, the best ores, you say, are in the Mesaba Range and the Vermilion Range?

Mr. GARY. And these different ranges I mentioned—Menominee, Gogebic, and the others.

The CHAIRMAN. Some of those, I believe, are in Michigan?

Mr. GARY. Yes.

The CHAIRMAN. Now, take the Vermilion Range. What is the line of travel that your ore takes from the ore bed to the furnace where it is converted, say, going to Pittsburg?

Mr. GARY. Over the Duluth & Iron Range Railroad to Two Harbors, on Lake Superior; in the boats of the Pittsburg Steamship Co. from that point to Conneaut, on Lake Erie; and over the Bessemer & Lake Erie Railroad to the furnaces at Pittsburg. Much of the ore is taken to other points, of course, and much of it handled over other railroads, the Pennsylvania Railroad, the Lake Erie, and so forth.

The CHAIRMAN. Now, this Duluth & Iron Range Railroad, I believe, enters the Vermilion Range?

Mr. GARY. Yes; and the Mesaba. The large portion of the ores is on the Mesaba Range, and there are three railroads entering that range, but I think the Duluth & Iron Range Railroad is the only one that goes to the Vermilion Range.

The CHAIRMAN. Now, Judge, take this Duluth & Iron Range Railroad; it connects with the Duluth, Rainy Lake & Winnipeg Railroad, running into Canada?

Mr. GARY. Not at that point.

The CHAIRMAN. Is there any other road that runs from that part of the Vermilion Range around Tower and carries this ore to market or to its place of final conversion?

Mr. GARY. I think there is no other railroad connecting with the Vermilion Range. The Duluth & Missabe Railroad, also, goes to the Mesaba Range, and it makes a connection with the Rainy Lake Road, and then Mr. Hill's road, the Eastern Minnesota, runs from Duluth up to the Mesaba Range. There is where the very large body of ore is located, in the Mesaba Range. I believe it is the best, altogether, in the world.

The CHAIRMAN. How many tons of ore are there, approximately, in this Vermilion Range?

Mr. GARY. The Vermilion Range, so far as ascertained—and all these properties are pretty thoroughly explored—about 7,584,870 of what is called Bessemer ore and 1,535,351 tons of non-Bessemer ore. This is taken from our records. Then there is considerable siliceous—low-grade ore.

The CHAIRMAN. Do you refer now to the amount of ore that the United States Steel Corporation owns or the amount of the entire range?

Mr. GARY. We own all on the Vermilion Range, so far as I know. There are only two or three mines there.

The CHAIRMAN. Well, do you sell ores from that range to independent manufacturers?

Mr. GARY. We do not.

The CHAIRMAN. Do you not sell ores?

Mr. GARY. We do not sell iron ores.

The CHAIRMAN. You do not sell iron at all. You own all of that. Now, take the Mesaba Range, Judge Gary. But before I go any further, what is the altitude of that range above the level of the lake?

Mr. GARY. I do not know.

The CHAIRMAN. Do you know the number of miles of the Duluth & Iron Range Road?

Mr. GARY. 190.89 miles of main line, 71.73 miles of branches and spurs; second tracks, 70.8 miles; sidings, 170.98 miles.

The CHAIRMAN. Are you a director of that road?

Mr. GARY. I am.

The CHAIRMAN. In all, that makes about 275 miles.

Mr. GARY. Very likely. The main line is about 260 miles.

Mr. YOUNG. With its branches?

Mr. GARY. With its branches, yes; but without its sidings and second tracks.

The CHAIRMAN. You say, Judge, that the Mesaba Range is the finest ore field in this country, considering its content of metal?

Mr. GARY. My opinion is it is the finest in the world.
The CHAIRMAN. What is the iron content of the ores you get there?
Mr. GARY. I can not give you the average.
The CHAIRMAN. Well, approximately?
Mr. GARY. I would say, approximately, 55. There is a higher-grade ore on some of the other ranges, higher in metallic content, but not in such large quantities. This ore on the Mesaba Range, as you probably know, is near enough to the surface to allow stripping of the earth from the ore, leaving it exposed, so that a shovel can be used, and the cost of mining is low, and its structure is very good. The content of the ore and the structure of the ore are both very material things to be considered.
The CHAIRMAN. You speak of stripping the top or earth, or whatever it is called, the supervening strata; how far do you have to go down to get this ore?
Mr. GARY. Different depths. But we find now we can afford to go down between 75 and 100 feet, I think, in places; but much of it is very near the surface—a good deal of it.
The CHAIRMAN. You just strip off the supervening strata, and this ore lays like black sand?
Mr. GARY. Yes; some of it in sand.
The CHAIRMAN. And you can very easily take it up with a steam shovel?
Mr. GARY. Yes.
The CHAIRMAN. And it is not so hard that it has to be broken up?
Mr. GARY. A good deal of it is usable, or can be taken out with a steam shovel.
The CHAIRMAN. How is it transported to the lake?
Mr. GARY. Over the Duluth & Iron Range Railroad or the Duluth, Missabe & Northern Railroad or the Eastern Minnesota Railroad.
The CHAIRMAN. Will you give me the character of cars and engines that you use, their structure, their tonnage, how they are loaded? Tell me about that.
Mr. GARY. The character of what?
The CHAIRMAN. The character of cars used, the kind of freight cars you use, their structure and capacity and how they are loaded.
Mr. GARY. Well, perhaps it is sufficient to say we have the very best and most modern equipment, engines and cars. We are using steel cars now.
The CHAIRMAN. Are they loaded by steam shovels?
Mr. GARY. Yes.
The CHAIRMAN. And they are dumped with an arrangement at the bottom?
Mr. GARY. Yes.
The CHAIRMAN. How many tons will one of those cars carry?
Mr. GARY. About 50 tons.
The CHAIRMAN. How many cars can one engine haul from the Mesaba Range to the lake?
Mr. GARY. I can not answer that offhand.
The CHAIRMAN. Approximately?
Mr. GARY. You mean with the very largest and most powerful engine?
The CHAIRMAN. Yes.
Mr. GARY. I do not know, but a good many.

The CHAIRMAN. I presume that can be ascertained from the traffic manager.

Mr. GARY. Yes.

The CHAIRMAN. You are perfectly willing that this committee itself, or through any of its agents, should have access to your traffic sheets and all the other data with reference to that matter?

Mr. GARY. You will get that, of course, at the offices of the Interstate Commerce Commission. We have to furnish that to the commission.

The CHAIRMAN. Of course we can get them.

Mr. GARY. Certainly. We would be very glad to have you go over the range also.

The CHAIRMAN. I would like to see it.

Mr. GARY. I think you would; and I think you would be surprised.

The CHAIRMAN. It must be a wonderful range. Now, Judge Gary, do any independents get ore there?

Mr. GARY. On these ranges?

The CHAIRMAN. On the Mesaba Range.

Mr. GARY. Oh, yes; all of them, probably. Most of them, anyhow, and most of them have large quantities of ore of their own.

The CHAIRMAN. Are there any independents who get ore from that range?

Mr. GARY. Nearly all of them. I think everyone and nearly everyone has large quantities in ownership.

The CHAIRMAN. What is the altitude of that range above the level of the lake?

Mr. GARY. I can not answer that question. The mountains are not high.

The CHAIRMAN. Are they sufficiently high so that the engines and cars are transported practically by the force of gravity from the range to the lake, or does it require very much steam to handle them?

Mr. GARY. No; although the grade in the main is downward. Probably the highest point may be 1,500 feet above the sea, but the country is not level. It is up and down. The general trend of the grade toward the lakes, of course, is downward.

The CHAIRMAN. Take the Duluth, Missabe & Northern Railroad—you are a director in that road?

Mr. GARY. I think so.

The CHAIRMAN. Is that one of the roads owned by the——

Mr. GARY (interposing). That was owned by the Rockefeller interests.

The CHAIRMAN. Who is it owned by now?

Mr. GARY. The Lake Superior Consolidated Mines own the Duluth, Missabe & Northern Railroad and the Rockefeller interests owned that Consolidated, and now the United States Steel Corporation owns the Consolidated.

The CHAIRMAN. Who owns the Great Northern Railroad?

Mr. GARY. The Great Northern Railroad?

The CHAIRMAN. That is a Hill road, is it not?

Mr. GARY. You mean the Eastern Minnesota?

The CHAIRMAN. The road marked on the map here, "Great Northern, two branches."

Mr. GARY. If anyone was going to refer to an individual, they would say Mr. Hill; but, of course, the stockholders are very large in the number.

The CHAIRMAN. I mean the Great Northern is the Hill road?

Mr. GARY. That is right, so called.

The CHAIRMAN. That is what I mean.

Mr. GARY. But it has a large number of stockholders.

The CHAIRMAN. That road is one in which Mr. Hill and Mr. Morgan are extensively interested?

Mr. GARY. I do not know about Mr. Morgan's interests. Mr. Morgan, I think, has never been considered as a controlling or influential factor in the Great Northern, although I may be mistaken. Mr. Hill is the man who is mentioned as the dominant factor, and he has a great many foreign friends.

The CHAIRMAN. Has Mr. Hill extensive interests in this Mesaba Range? What is the character of his interests in the Mesaba Range?

Mr. GARY. Mr. Hill has not any interests, to my knowledge.

The CHAIRMAN. He leased his holdings to your company?

Mr. GARY. The Great Northern Railroad, I think it was, had control of a large quantity of ore properties, and a lease was made between the Great Northern, I believe, and some of our iron companies. That lease, however, was and is subject to cancellation in 1915, I believe.

The CHAIRMAN. You pay a royalty on those ores?

Mr. GARY. Yes.

The CHAIRMAN. To the Great Northern or to Mr. Hill or to whom?

Mr. GARY. We pay it to the lessor, of course.

The CHAIRMAN. Who are the lessors?

Mr. GARY. I think the lessor is the Great Northern.

The CHAIRMAN. So that this range and this railroad are practically under the same control?

Mr. GARY. My assistant tells me I am technically incorrect there; that it is another corporation or trustee. I do not remember the technical name. Certificates were issued and distributed, I think, to the stockholders of the Great Northern as a dividend, and the lease is made with that company, whatever its name may be, but that is well known and public.

The CHAIRMAN. That is what I mean. I am not anxious about the exact technical name. What I want to get at is the substantive fact that the Mesaba Range and the Great Northern Railroad are in the same hands, as far as ownership is concerned.

Mr. GARY. Let me hear that question, please.

(The stenographer read the pending question.)

The CHAIRMAN. You have a lease on it?

Mr. GARY. I do not understand your question.

The CHAIRMAN. You said you leased the Mesaba Range from the Great Northern Railroad?

Mr. GARY. No; not at all.

Mr. LINDABURY. Their portion of it.

The CHAIRMAN. Have you a title in fee to any of that range?

Mr. GARY. Oh, yes; for a good deal of it.

The CHAIRMAN. And that for which you have not a title in fee——

Mr. GARY (interposing). We have leases on, from various people who are the owners, scattered all over this country and other countries, perhaps.

The CHAIRMAN. Well, the original owners of that range, from whom you leased it, were the Great Northern interests?

Mr. GARY. Oh, no, Mr. Chairman; you have not that clear in your mind.

The CHAIRMAN. Well, I want to get it exactly.

Mr. GARY. The Missabe Range is owned by a great many different people. Our interests own a large acreage. I would not undertake to say what percentage, but, I would think, perhaps a rather small percentage in comparison. But our companies have leases from a great many different owners of other portions. Then, the Hill interests have either the ownership or leases of a comparatively small portion, and we lease or sublease from them that portion.

The CHAIRMAN. What proportion of that ore field do you hold now, under one title or another, that you have either permanent or temporary control of?

Mr. GARY. What percentage?

The CHAIRMAN. Yes; in the Missabe Range.

Mr. GARY. I can not answer exactly, but I would say about 50 per cent. Maybe a little larger than that, but about 50 per cent, I should think.

The CHAIRMAN. Are there any other companies or organizations of any kind, legal or natural ones, taking ores from this field at this time except your company?

Mr. GARY. Oh, yes; a great many of them.

The CHAIRMAN. Do they own these ores?

Mr. GARY. They own them as we do, some in fee and some by lease. Practically all of the independent steel makers, so called, have large holdings on that range—the big companies like the Lackawanna Steel and the Cambria Steel and the Jones & Laughlin and the Republic.

The CHAIRMAN. Do you know from whom they secured these holdings?

Mr. GARY. Oh, no; from whomsoever they could and whenever they could.

The CHAIRMAN. Did not the Hill interests at one time practically control that ore field?

Mr. GARY. Oh, no.

The CHAIRMAN. They had large holdings there and still have?

Mr. GARY. They had the holdings represented by the lease referred to, not so large as has been advertised.

The CHAIRMAN. I have seen the statement made by Prof. Berglund and Moody and a number of others——

Mr. GARY (interposing). To what amount?

The CHAIRMAN. And an impression is in my mind, but I can not lay my hands on that information now, and I wanted to get a general idea.

Mr. GARY. I would say from two hundred to two hundred and fifty million tons; not more than 10 per cent of the total, anyhow, I would say.

Mr. BARTLETT. You virtually gave your indorsement as to the correctness of an article published in Munsey's Magazine when you were before the Ways and Means Committee, did you not?

Mr. GARY. No; except as to one single point, I think. I think I stated that I believed Mr. Munsey's estimate of the values of our properties was substantially correct.

Mr. BARTLETT. And that the information he got and which he published with reference to the holdings and the property of your corporation had been given him by access to the books or information obtained from the officers of the company?

Mr. GARY. Much of it; but, I think you will remember, it was stated in that article that he got his information from us direct and from many other sources and made his examination and decision entirely independently. As to the Hill railroads, he had no information whatever from us.

Mr. BARTLETT. He states in his article that the Great Northern Railroad and the Northern Pacific had vast holdings of iron in the Mesabi Range, which were afterwards leased to your company.

Mr. GARY. That they had what?

Mr. BARTLETT. Vast holdings.

Mr. GARY. Well, I do not remember what he said about that. We gave him no information, because we doubted the propriety of our making any statement to him at that time in regard to that matter. We referred him to the Hill interests and the Northern Pacific interests. I have in this testimony treated that ore as all being under the control of the Great Northern. The Northern Pacific Railroad had large interests there.

Mr. BARTLETT. At the time this article was written?

Mr. GARY. And other people, but they were all merged, I think, in that lease.

Mr. BARTLETT. At the time the article was written and at the time you were before the Ways and Means Committee in 1908, the contract between your company and Mr. Hill and the Great Northern and the Northern Pacific, with reference to their holdings, had been executed?

Mr. GARY. I think that is right.

Mr. BARTLETT. A year before that time?

Mr. GARY. I think that is true. But when Mr. Munsey applied to us for information concerning that we referred him to the other people, as we did a great many others. We did not think it proper to make any disclosures.

Mr. BARTLETT. And that contract to which he refers is now in force?

Mr. GARY. It is.

Mr. BARTLETT. Have you objection to stating how long it will continue?

Mr. GARY. We have the right to cancel it in 1915 by giving notice in 1913. As to whether or not we will cancel, of course, no one could say at this time, and as to what my opinion is on the subject, I think perhaps I had better not express.

Mr. BARTLETT. I did not ask for that.

Mr. GARY. But that was a very important feature of that lease. I am very sure that it would not have been executed except on condition that we had the right to cancel it.

Mr. LITTLETON. Your company can exercise that option. Does the other side have any option in regard to it?

Mr. GARY. They do not.

The CHAIRMAN. Does your company own the Duluth, Missabe & Northern Railroad? Is that one of the Hill roads, or is that one of yours?

Mr. GARY. I have already stated the ownership of the Duluth, Missabe & Northern Railroad.

The CHAIRMAN. Yes. Are there any other roads running into that region or that range?

Mr. GARY. Yes; this Rainy Lake Railroad.

The CHAIRMAN. That runs up into Canada.

Mr. GARY. But they are extending that road to Duluth. I do not think it is finished.

The CHAIRMAN. Who owns that road?

Mr. GARY. The Canadian Northern, I think.

The CHAIRMAN. Does Hill have any interest in that road?

Mr. GARY. I do not know. It was offered to us a number of times, but we did not take it.

The CHAIRMAN. Is there any outlet from that range to the Lakes in which neither the United States Steel Corporation nor Mr. Hill have any interest?

Mr. GARY. No; I think not, and will not be until this road is completed. I do not know just when that will be.

Mr. LITTLETON. I did not get clear in my mind the legal situation with reference to that lease. If you give notice in 1913, you can exercise your option and give up this lease in 1915?

Mr. GARY. That is right.

Mr. LITTLETON. Now, if you do not choose to do that, what is the character of the tenancy thereafter?

Mr. GARY. Extended until the ores are exhausted, or until the leases, in cases where there are leases by the Hill people subleased to us, expire. Most of these leases have terms.

Mr. LITTLETON. In other words, if some precedent lease with a limited tenure expires, you have got to go with that tenure?

Mr. GARY. Yes.

Mr. BARTLETT. You said at the time of the formation of the United States Steel Corporation there was no fight, no contest, about prices or fluctuations in prices; no effort to control or put up or put down prices?

Mr. GARY. The question was whether there was any demoralization then.

Mr. BARTLETT. I will use that word, then.

Mr. GARY. There always have been fluctuations.

Mr. BARTLETT. Well, I will use that word.

Mr. GARY. Of course, that is quite a different thing. The difference is that you can not prevent fluctuations, but it is the extreme and sudden fluctuation——

Mr. BARTLETT (interposing). But that was not true as to prices when the Federal Steel Co. was formed, was it?

Mr. GARY. Prices were very low at the time the Federal Steel Co. was formed, and had been for some time.

Mr. BARTLETT. There had been a fight about prices, especially with reference to steel rails?

Mr. GARY. Well, you may call it a fight. At that time there was one interest whose policy was to keep its mills filled always and under all circumstances.

Mr. BARTLETT. And after the formation of the Federal Steel Co. the prices were restored, so to speak, to what they were before?

Mr. GARY. Not as a result——

Mr. BARTLETT (interposing). I did not ask that; but that did follow, and it is a fact they were restored and went up from $18.50 to $28.

Mr. GARY. The Federal Steel Co. was organized and commenced business about the 1st of November, 1898. During the latter half of 1899, prices did improve, not only in steel, but in everything else. The whole business of the country very materially improved, and I think the prices of rails went up to $33 a ton, and many rails were sold at $35. In 1900, again, there was a very dull period, and things were very low. There were a great many failures. That was the time, you will remember, when the wire company suddenly closed 18 mills in one day. That was during 1900, as I remember, and that created a very great demoralization.

Mr. YOUNG. I did not get that date as to the organization of the Federal Steel Co.

Mr. GARY. November 1, 1898, they commenced business.

Mr. BARTLETT. Now, there was a— I won't use the word "jump"— there was a sudden rise, so to speak, in prices for steel rails from $17.50 up to $28 soon after that corporation was formed.

Mr. GARY. Not soon after. It seems to me a large portion of the rails for 1899 delivery were sold as low as $18 a ton. That is my recollection. We could give you those figures, and will be very glad to give them to you, showing the trend of the market on all these prices from year to year. They speak for themselves.

Mr. BEALL. Can I refresh your recollection by quoting from your testimony: "The $28 price started, I think, in 1899. That was the result of conferences and discussions between the steel makers as to what would be a fair price, and perhaps more or less talk with the railroad companies. Since that time the steel manufacturers have adhered to that price as a fair price."

Mr. GARY. That is correct, except the answer I have given to-day, that prices went up to $33 for a time.

Mr. BEALL. Previous to this?

Mr. GARY. I am not sure of the date, but I believe the latter part of 1899 rails sold at $33 a ton. I believe so. It is a fact that the original price of $28 per ton was fixed as the result of conferences or as the result of disclosure of our respective lines of business or the friendly intercourse which I have referred to. But it was a reduction, in my opinion, from $33 to $28. The reason why the price has been $28 since, I believe, is that some of us would never consent to an increase above that price, so far as we were concerned, notwithstanding the demand that many thought justified an increase, and many of our competitors would have increased the price if we had been willing to do so.

Mr. BEALL. In other words, you are in a position when you fix a price of $28 a ton for steel rails, the others do not seem inclined to go below that price or go above it.

Mr. GARY. No; that is not right. We can keep the price down, but we can not keep it up. That is the point.

Mr. BEALL. Has anybody ever put it up or attempted to put it up?

Mr. GARY. Yes; many, many times—our competitors many, many times—and we have declined to put it up.

Mr. BEALL. Have they ever attempted to put it down?

Mr. GARY. Our competitors?

Mr. BEALL. Yes.

Mr. GARY. No; I do not think so; not below $28. I do not believe there has been any suggestion on the part of anyone to put the price below $28. In the first place, you must remember we sell these rails to railroads with whom we are in constant and daily communication and who must be pretty well satisfied. The Pennsylvania Railroad, for instance, has an interest in two of the rail-producing concerns, and yet it buys rails of us, more or less. But if we made a price on rails which the railroads thought was not fair you may be certain we would hear from them very soon—just as soon as they would hear from us, and do hear from us, when we think freights are too high. The rail makers can not very well sell rails at less than $28.

Mr. BARTLETT. You mean in this country?

Mr. GARY. I did not hear you.

Mr. BARTLETT. I say, you mean you can not sell them to the home consumer at less than that?

Mr. GARY. I will be very glad to take that question up a little later. It is a very pertinent question, and I will be very glad to answer it. The figures in regard to the cost of rails by all the rail makers of this country were given to the Ways and Means Committee, I believe, and they had before them figures from the Department of Commerce, and you may have those figures; I do not know. But certainly they are familiar with all our costs. Now, as I remember, our mill cost of making rails at that time was about $22.65 per ton. You can correct me if I am wrong. I had the exact figures at the time. It costs to build a rail mill, with what goes with it, at the present time, about $25,000,000. We know, because we have just built one at Gary, Ind. Now, when you take into consideration the wear and tear and the interest on the investment of the rail mill, you see you do not have a very large profit on a mill that produces, say, 60,000 tons or 70,000 tons a month. Especially when you remember that many of these mills are idle a part of the time. They are not running full all the time; and when mills are not running full, the cost of production is very materially increased, and that is why, if you will allow me to answer your question now——

Mr. BARTLETT (interposing). It was a mere suggestion.

Mr. GARY. Well, it is a very important question, and one that is considered all the time, particularly by gentlemen occupying the responsible positions which you occupy. There is a practice all over the world of dumping, as it is called, surplus products. It is, really, for the same reason that the merchant at some seasons of the year clears his shelves and sells what he has on hand at less than cost. Now, if we could sell our rails abroad at $26 a ton, or at about cost, all the time, so that we could keep our mills running full all the time, we would accomplish several things. In the first place, we would reduce the average or general cost of production, and, in the second place, we would keep our mills running full and keep our organizations intact, our men in continuous employment; and, in the third place, we would bring to this country from foreign countries large sums of money. This export question is a very important one, and I have no doubt this committee will consider it. Now,

some years, and in fact many years, we do sell for export at prices somewhat less than domestic prices, but the total result is that we can afford to sell for domestic consumption at a lower price. All countries do exactly the same thing. The net result is not prejudicial to the domestic purchaser, but is a benefit to him.

The CHAIRMAN. Right on that point, Judge, how long has it been since any other country dumped any rails on us?

Mr. GARY. I believe in 1905 or 1906 there were large quantities of foreign rails sold in in this country, and I think during the last year, perhaps, some rails have been sold on the Pacific coast by foreigners. The Belgians and Germans can produce rails and deliver them in San Francisco at a very much less price than our mill can furnish them at the present time. We are not protected at those points. As you will see by our annual report, some years we sold them for export on an average of 27 cents a ton higher than they were sold in this country; but, as a rule, I think the average would be a little less.

The CHAIRMAN. Have rails ever been sold in this country in the last 20 years as cheaply as you are now selling rails in the South American Republics?

Mr. GARY. Oh, yes; very much less.

The CHAIRMAN. At what price are you selling rails now, say, in Chile?

Mr. GARY. I have not those figures before me, but I think our export rails at this present time are netting us about $25.50 a ton. That would be my recollection.

The CHAIRMAN. You do not sell rails at the same price to all foreign countries?

Mr. GARY. No; I am giving you the average.

The CHAIRMAN. I want to get the prices in some of those countries that are not as well organized as Great Britain, for instance, and other countries where the beneficent influence of these international institutes has tended to prevent this detrimental and evil tendency to lower prices quickly and capriciously. I believe in a great many countries that unfortunate condition of competition exists, and I want to know what you get for your rails in those countries.

Mr. GARY. I do not quite understand your question.

The CHAIRMAN. I mean in those open markets where there is no competition between railways.

Mr. GARY. Where is there such a country as that except the United States?

The CHAIRMAN. Is there not an understanding between the railmakers of Great Britain and this country that you do not materially interfere with each other's business?

Mr. GARY. No.

The CHAIRMAN. I was laboring under a misapprehension.

Mr. GARY. Not so far as I know, except such a result as might come from keeping one another informed——

The CHAIRMAN (interposing). I do not think there is any ironclad contract. I think these wise business men have successfully substituted moral suasion for legal obligation, with the same result to themselves and possibly the avoidance of an embarrassment under the law, which might have occurred under the old régime; and I want to get now the difference between the cost of rails, say, in Great

Britain, and in the open market, like the markets of South America, where this mutual understanding among gentlemen does not exist.

Mr. GARY. Of course, you must know——

The CHAIRMAN (interposing). I mean that just as a suggestion.

Mr. GARY. Of course, you must not expect me to adopt your words and say there is any mutual understanding. Not that I want to get away from the exact facts. In foreign countries there are agreements of one kind and another, as you know. In all the foreign manufacturing countries, so far as I know, they are allowed to make them. I think in England an agreement which we would call in restraint of trade can not be enforced, but I think there is no penalty for making such an agreement, and therefore they do make them.

Mr. LINDABURY. That is the old common-law rule.

Mr. GARY. The old common-law rule; yes.

In Germany, Belgium, France, Austria, and Italy they are allowed to make these agreements to maintain prices and divide territory and restrict output.

The CHAIRMAN. That is exactly what I want to get at. What is the difference in cost of rails in countries where they can make agreements or have understandings of one kind or another and the countries where it is a free-for-all fight and any man can sell a rail for whatever he pleases, without violating either the legal, moral, or ethical canons of the rail-making profession?

Mr. GARY. I do not know that there is any country where they make rails without an agreement of some kind, except in this country.

The CHAIRMAN. Well, I am not talking about where they make them, but where they sell them and you sell them. I am talking about those free countries that have no railways, but have railroads, and where there is no force of any kind—moral, ethical, legal, or otherwise.

Mr. GARY. Well, take South America, for instance——

The CHAIRMAN (interposing). Yes; where any fellow can take a load of rails and dump them, if he wants to—where they dump them ad libitum.

Mr. GARY. Now, what is your question?

The CHAIRMAN. What is the difference in prices of rails in such countries as that, and in countries where that condition does not exist? Is it as much as $4 a ton, Judge?

Mr. GARY. I do not think so. I do not think it is anything like that.

The CHAIRMAN. Well, approximately that?

Mr. GARY. So far as we are concerned in this country, we get pretty nearly the same price from those countries all the time. I think, so far as foreign manufacturers are concerned, they get higher prices from the South American countries and the other countries that you speak of, at times, at least, than they do in their own country. That would be my own judgment about it.

The CHAIRMAN. We do not do that sort of thing. The rail makers in America do not do that sort of thing. We never treat foreign countries that way, and sell them for more than we sell at home.

Mr. GARY. I would not like to characterize it in that way, Mr. Chairman.

The CHAIRMAN. I do not mean to speak invidiously of it, but I mean to say that that custom does not exist in this country.

Mr. GARY. The custom of charging——

The CHAIRMAN (interposing). Of selling anywhere else at a higher price than in this country.

Mr. GARY. I have just told you that one year the average price of our export rails was 27 cents a ton higher than the domestic prices, as shown in our annual report.

The CHAIRMAN. What year was that?

Mr. GARY. It was about 1906 or maybe 1907.

The CHAIRMAN. At the time of the panic here?

Mr. GARY. No; not at the time of the panic.

The CHAIRMAN. When the panic was brewing?

Mr. GARY. The panic was in October, 1907. Nineteen hundred and seven, on the whole, was a pretty good year.

The CHAIRMAN. That year was unique in that respect, was it not, in the history of rail making for the last 20 years?

Mr. GARY. Going back 20 years——

The CHAIRMAN (interposing). Or say 10 years.

Mr. GARY. There was not very much export steel business, by comparison, until after the United States Steel Corporation was formed. That was one of the principal reasons for forming it. But, since it was formed, I think there has not been any other year when the prices of export rails were higher, on an average, than domestic rails.

Mr. MCGILLICUDDY. Can you give the committee, either now or later, a list of the prices you get in foreign countries?

Mr. GARY. I think we can. I will try to do that.

Mr. MCGILLICUDDY. In all of the foreign countries you sell to.

Mr. GARY. For what period?

Mr. MCGILLICUDDY. For the last two or three years, or as far back as you can.

Mr. GARY. I will try to do that. I have done that several times for congressional committees.

Mr. MCGILLICUDDY. Now, did I understand you to say a while ago that you declined at one time to raise the price when you were invited to do so by some independent company?

Mr. GARY. I did not quite put it in that way. I did say that on several occasions independent companies said they proposed to increase their prices, and wanted to know what we would do if they did increase them.

Mr. MCGILLICUDDY. Then, if you had agreed with them, you would have had the power to increase prices, would you not?

Mr. GARY. If every one manufacturing rails decided to increase his price, of course all the manufacturers would have the power to do it.

Mr. MCGILLICUDDY. But that is not answering my question. At that time, when you were invited to do that, if you saw fit to, you did have the power then to raise the price of rails?

Mr. GARY. We always had the power to raise our prices of rails, and of course if the other manufacturers raised their prices, and then we raised our prices, that would raise them all, of course. But, as I said, it is pretty easy to prevent increases in prices. It is a different thing to prevent decreases in prices.

The CHAIRMAN. As I understand you, Judge, you have been engaged for several years, or at least the United States Steel Corpora-

tion has, in the laudable enterprise of preventing an increase in the price of steel rails—in holding the prices down?

Mr. GARY. I think we have used our influence in keeping the prices of many steel commodities from increasing, when the demand was greater than the supply.

The CHAIRMAN. I am speaking now of rails. You have been preventing this unfortunate tendency on the part of certain manufacturers at times, whenever there was a great demand, to raise the prices to the consumers? You have been preventing that as best you could?

Mr. GARY. I did not speak of any tendency. I meant that there have been times, several times, when some of our competitors would say, "The demand is so great, the mills are filled up, and we want to increase the prices of rails, and we think the prices ought to be increased. The prices are too low." The cost of rails has increased, I should say, at least $3 a ton during the last 10 years.

Mr. BEALL. Why would one of your competitors consult you about the question of increasing the prices of their own product?

Mr. GARY. Because he would know he could not sell his rails for more than $28 if we were selling ours for $28.

The CHAIRMAN. This is a question that I have in my mind, judge. I think I understood you, and I approve of your conduct in the matter. You have used the great power of the United States Steel Corporation, with its billion and a half capitalization and its infinite ramifications, to prevent the raising of the price of rails by people not so well advised, who would be inclined to take advantage of a temporary condition to do so, have you not?

Mr. GARY. Mr. Chairman, the power of the corporation had nothing to do with it. A small manufacturer can do the same thing.

The CHAIRMAN. I understand that.

Mr. GARY. As witness the action of one of the steel companies last week in reducing prices. It had a very small percentage of the business.

The CHAIRMAN. Exactly.

Mr. GARY. But it reduced the prices.

The CHAIRMAN. I do not wish to dispute that, judge; but what I am getting at is this, in respect to the power of the concern, merely. You have held prices down on steel rails, as I understood you. That is your statement?

Mr. GARY. I think that has been our influence. I am very sure it has been.

The CHAIRMAN. You have been exerting your influence to hold prices down. Now, I want to ask you if you have succeeded in the last 10 years in reducing the price of rails at any time as much as 10 cents on the ton?

Mr. GARY. The prices of rails have not changed for about 10 years, as I have previously stated, and for the reasons which I have given. The cost of rails is increasing all the time, and, I think, Mr. Chairman, the price of rails must increase within the comparatively near future. I think we shall have to increase our prices, and I think others will have to increase theirs, because the cost has been materially increasing. Our wages are increasing all the time. They are very much higher than they were when we started, and the specifications are different. The contents are different. The practice of making

rails is different. The heavy equipment of the railroads and the speed of the trains have made it necessary to produce a better rail, of better chemical analysis, and with better practice. Our costs, as I say, have materially increased, and are increasing, and I have said to some railroad presidents within the last year that I believed in the near future we would have to increase the price of rails.

The CHAIRMAN. In other words, having failed in your strenuous effort to keep the prices down, you are going to let them go up?

Mr. GARY. I have given the facts, and the facts speak for themselves. You characterize testimony better than I can, Mr. Chairman.

Mr. BARTLETT. I would like to ask you one question: When the Federal Steel was organized—I am not saying that was the cause of it—the prices of steel rails went back to $28 a ton, did they not, soon after that organization?

Mr. GARY. I think, in the latter part of 1899—that is my impression—they went up to $33.

Mr. BARTLETT. They settled down, then? I will use that word. They settled down?

Mr. GARY. Just when they were reduced to $28 I can not say from memory. Just the date I do not remember.

Mr. BARTLETT. You say they went up to $33 a ton. They did not remain long at that price, did they?

Mr. GARY. I think most of the sales for one year were made at $33. It was the custom then to fix the price in the fall for rails for the next season. The railroads gave their orders for the next season's rail business, generally, in the fall; and, I think, in the fall of 1899 the prices of rails for 1900 were fixed at $33. That is my recollection.

Mr. BARTLETT. Then, when the rails sold at $28 a ton—I am not going into details—it cost to produce them about $12.50 a ton, did it not?

Mr. GARY. How is that?

Mr. BARTLETT. I say, the cost to produce a ton of steel rails at that time was $12.50?

Mr. GARY. No, sir; that is not an accurate statement, by a large majority. If you will read Mr. Schwab's testimony——

Mr. BARTLETT. That is what I have before me.

Mr. GARY. Before the Ways and Means Committee?

Mr. BARTLETT. Yes.

Mr. GARY. If you will read it through, you will see how he qualifies. He said he made that statement, but he tells you how and why and what the circumstances were. Rails were never——

Mr. BARTLETT. What did they cost at the time they sold at $28 a ton?

Mr. GARY. In 1898?

Mr. BARTLETT. After the Federal Steel was formed, and it reduced the price to $28 a ton.

Mr. GARY. My impression is that the mill cost at that time was about $20 a ton.

Mr. BARTLETT. Do they cost more now than they did then to produce?

Mr. GARY. They do.

Mr. BARTLETT. How much more?

Mr. GARY. I have already said, when I was before the Ways and Means Committee—I think the mill cost at that time was $22.65 a ton; but those prices are increasing a little.

Mr. LITTLETON. To go back a moment to that institute matter——

Mr. GARY. Yes.

Mr. LITTLETON. How many——

Mr. GARY. Members?

Mr. LITTLETON. How many concerns were represented, in this country, in the various meetings that you had or dinners? I do not mean to have you name them; but were they all represented, or substantially all represented?

Mr. GARY. At some of the dinners there have been as high as 90 per cent in tonnage capacity represented.

Mr. LITTLETON. And I take it this international program which has been projected in Brussels contemplates the taking in of as full a representation from this and other countries as it deems best?

Mr. GARY. Yes; if it could be done. I am not at all certain that the institute is practical. I am not at all certain. I do not know.

Mr. LITTLETON. Do you know whether it is the general view of steel makers that in some way they must get between the Sherman Act upon one side and destructive competition upon the other?

Mr. GARY. It is; it is. I wish we knew just how to do it. I wish we knew just what is the right thing to do and the lawful thing to do.

Mr. LITTLETON. Do you think the experience of the last 10 years in maintenance (and when I say "maintenance" I mean in the view that there has been a price of $28 a ton maintained)—do you think that experience can not be repeated and yet avoid the sharp corners of the Sherman antitrust law?

Mr. GARY. I do not believe it can. There are so many men in the business, the interests are so diverse, that it seems to me there has got to be some way of protecting the manufacturers or allowing the manufacturers to protect themselves against such depressions or deductions as will drive the majority of them into bankruptcy or else we will be in chaos.

Mr. LITTLETON. You think there is no way by which competition can continue freely, and develop the steel business and result in great benefit to the consumers of steel?

Mr. GARY. I do not think so—except by this governmental control.

Mr. LITTLETON. Governmental control would imply, of course, the absence of competition in the sense in which you have discussed it.

Mr. GARY. Yes, yes.

Mr. LITTLETON. Do you think that principle applies, Mr. Gary, to other branches of commodities?

Mr. GARY. I think it does; but of course the necessity, or the lack of necessity, depends more or less upon the magnitude of the business.

Mr. LITTLETON. Yes.

Mr. GARY. I know what a great question this is, of course. It is a difficult question.

Mr. LITTLETON. What I was thinking about is this: What is to be done with the great concerns representing great branches of business that are built up, and whether we have come face to face with the surrender of the competitive policy of our civilization, as we have understood it, and the acceptance of a new doctrine and policy which will have to be grafted onto this Government.

Mr. GARY. It seems to me that we have.

The CHAIRMAN. Do you think it possible, Judge Gary, to move a concern as stupendous as the United States Steel Corporation in the direction of absolute governmental control without finally landing in an absolute Government ownership? Can you start that way and stop short of that ultimate goal?

Mr. GARY. I think you can, Mr. Chairman. I am not as well qualified as you are to express an opinion on that.

The CHAIRMAN. You are much better qualified, Judge.

Mr. GARY. But that has been done with reference to banks—national banks—and with reference to railroads, more or less. Of course, the national banks have only gone to the extent of enforced publicity and the conduct of their business within certain rules.

Mr. BARTLETT. The national bank is a governmental function anyhow. They exist by reason of that fact.

Mr. GARY. I know; but that goes to the legal aspect of the question, after all—that is, as to whether the Government has a right to do it. I speak from the standpoint of the interests of the people——

Mr. BARTLETT. Whatever the interests of the people are, Congress and the Government, so long as we live under the present organic law, have got to move along the lines prescribed by that organic law.

Mr. GARY. That is true; that is true.

The CHAIRMAN. Judge Gary, to get back to the steel rail; I wish to quote from Collier's Weekly of March 27, 1911, from an editorial appearing therein, in which it is said:

> The Steel Trust—

That is what the paper says; I always speak of it as the corporation—

> During March sold more rails abroad than at home.

Is that true?

Mr. GARY. This is last March?

The CHAIRMAN. Yes.

Mr. GARY. Well, it might be true, without having sold very many abroad.

The CHAIRMAN. I simply ask as to its accuracy.

Mr. GARY. The railroads have not been buying much during the last year.

The CHAIRMAN. You have sold more abroad than at home?

Mr. GARY. I can not answer that without refreshing my recollection.

The CHAIRMAN (reading):

> The price it received abroad is not known——
> That is one of those bits of desirable knowledge which a Federal investigation will uncover.

But every well-informed person knows that the price that Mexicans and Australians paid was about $4 lower than the $28 a ton which has been the fixed, unvarying price in the United States since the day the Steel Corporation was organized.

Is that statement correct?

Mr. GARY. In that word "everyone" I do not think I am included. I do not know that, and I doubt its accuracy. I do not see where they get the information.

The CHAIRMAN. You have spoken of the increasing cost of wages.

Mr. GARY. Yes.

The CHAIRMAN. You have said that the wages are increasing in the rail mill. Can you inform this committee whether the daily wage rates have been increased, and when, and what prices are paid to the pieceworkers, say, by the ton?

Mr. GARY. I can not answer that. This wage question does not affect that class of labor so much as it does the man working by the day. Those people are pretty well paid, I think, and always have been pretty well paid. When a laboring man gets within the domain of what is called an expert, or skilled laborer, then his wages are pretty good.

Mr. MCGILLICUDDY. When you furnish that list of the prices——

Mr. GARY. Pardon me one moment.

Mr. MCGILLICUDDY. Certainly.

Mr. GARY. Mr. Chairman, I think there has been a very careful and detailed examination made in regard to the wages of our people by some department of Congress. What is it——

The CHAIRMAN. The Bureau of Labor?

Mr. GARY. The Bureau of Labor. That is under a resolution of the Senate. I do not know what the report is.

The CHAIRMAN. Yes.

Mr. GARY. But facts are facts, and speak for themselves. Then you also know, probably, that there has been a very thorough examination made of the mills at Gary, Ind., and at Joliet, Ill., by a gentleman representing the department of the congress which takes the questions referred to in the Gompers claims or charges, or whatever they may be, and referred to by the chairman in one of his addresses. I have not seen the report yet. I do not know what it is, but I know that the gentleman had access to ours mills and our offices and our men, and ascertained exactly what the conditions are; and the reports, when made, will speak for themselves on that subject.

Mr. MCGILLICUDDY. When you furnish the committee with the list of prices that your products have been sold at in foreign countries, would you also be willing to furnish the amounts you have sold to each of those countries?

Mr. GARY. I think so.

Mr. MCGILLICUDDY. How soon do you think you can have those things ready?

Mr. GARY. Within a week or so—or two weeks, I should think.

Mr. MCGILLICUDDY. Your company—that is, the parent company—is organized under the laws of New Jersey, I believe?

Mr. GARY. Yes, sir.

Mr. MCGILLICUDDY. Have you any power or authority to do anything except to act as a holding company?

Mr. GARY. We have.

Mr. MCGILLICUDDY. What other powers have you in addition to that?

Mr. GARY. Well, all of the powers incident to manufacturing, I would say, offhand.

Mr. MCGILLICUDDY. You have power, then, to operate the same as the subsidiary companies?

Mr. GARY. Yes, sir. Did I state to you why we operated in the way we did, as a holding company, instead of being an operating company? Did I state that yesterday?

Mr. McGILLICUDDY. I think so.
Mr. YOUNG. I did not hear anything of that kind.
Mr. GARY. I would be glad to state it.
Mr. McGILLICUDDY. Let me go on with what I want to ask and finish it. The parent company does nothing in the way of operating?
Mr. GARY. It does not.
Mr. McGILLICUDDY. You are purely, and in fact, a holding company?
Mr. GARY. That is true.
Mr. McGILLICUDDY. For these nine subsidiary companies?
Mr. GARY. Nine, or some other number.
Mr. McGILLICUDDY. They have some subsidiary companies in themselves?
Mr. GARY. Yes.
Mr. McGILLICUDDY. Has it been your policy to make the same men the directors of the subsidiary companies who are directors of the parent company?
Mr. GARY. No; except I think I am on the boards of directors of most, if not all, of the main subsidiary companies; and some of my assistants may be on some of the boards, the object being to know what is going on, of course. I do not attend all of the meetings, but I am on the boards.
Mr. McGILLICUDDY. Your parent company, through the ramifications of the subsidiary companies, is in absolute control of the policy of all those companies?
Mr. GARY. That is true, as I stated yesterday.
Mr. McGILLICUDDY. You have a right to limit the production if you see fit to exercise that power—the holding company has?
Mr. GARY. Technically, we do not have the right.
Mr. McGILLICUDDY. You have the power?
Mr. GARY. Well, we would have the ultimate power.
Mr. McGILLICUDDY. That is what I mean.
Mr. GARY. But we would have to wait until there was an election, in order to get control if there should be any dispute, but I do not think that would be likely to be necessary. I would think, in effect, that our influence is dominant.
Mr. McGILLICUDDY. Dominant in all those subsidiary companies?
Mr. GARY. Yes, sir; in those subsidiary companies.
Mr. McGILLICUDDY. And if you saw fit to do so you could limit the production or increase it at your free will?
Mr. GARY. I would think so.
Mr. McGILLICUDDY. There is no doubt about that, is there?
Mr. GARY. No; in the way I have suggested and to the extent I have suggested.
Mr. LINDABURY. That is, as to the subsidiary companies?
Mr. GARY. Yes; the subsidiary companies.
Mr. McGILLICUDDY. You—the parent company—could control the price of the output at all times, could you not?
Mr. GARY. Yes.
Mr. McGILLICUDDY. And limit the production if you saw fit to?
Mr. GARY. We could in the way I have suggested; yes.
Mr. McGILLICUDDY. There would not be any competition between your subsidiary companies, of course?
Mr. GARY. No.

Mr. McGILLICUDDY. And never is?

Mr. GARY. No.

Mr. McGILLICUDDY. So that, so far as the parent company and the nine subsidiary companies and the railroad companies connected with them are concerned, there would not be any possible competition within that region?

Mr. GARY. Well, "possible" is a pretty strong word.

Mr. McGILLICUDDY. I will say "probable."

Mr. GARY. No; they do sometimes overstep what I would consider the bounds of propriety and the best interests.

Mr. McGILLICUDDY. If you detected anything of that kind it would be very quickly stopped, would it not?

Mr. GARY. It would; that is right.

Mr. LITTLETON. Could you effect the dissolution of all the subsidiary companies and dissolve them from the complete ownership of the Steel Corporation?

Mr. GARY. Yes; we could do that, and, of course, would do it readily if by any law of Congress or any decision of the Supreme Court or by any direction of the administration it was suggested or it was insisted upon. The reason why we have not done that is that we believe these subsidiary companies, having their boards of directors and their officers, consisting of presidents, vice presidents, etc., have more responsibility and reach a higher success in the management of the properties in their charge than they would if they were simply the managers of these mills as departments.

Mr. LITTLETON. That is the philosophy of local self-government, somewhat?

Mr. GARY. Yes; it is. There is not any doubt, and I would not like to have the committee think that I have tried to raise a doubt, that the United States Steel Corporation could put all of these properties into the possession and absolute control of the United States Steel Corporation as an operating company; and if there is any reason why that should be done we would not hesitate to do it, although I do not think it would be as good for the operation of the properties. If the men in the mill, for instance, could not go to a superintendent there who, in turn, could go to the president of the company for relief or changes, and had to go to the headquarters, in case the United States Steel Corporation was operating these properties, for relief, he would not feel that he had the same opportunity to reach success. It seems to me that is a practical business question. If, legally or morally, there is any reason why the United States Steel Co. should take these and operate them instead of leaving them in the possession of the subsidiary companies whose stocks are held by the holding company, we would be glad to make the change.

Mr. BARTLETT. Right there: You might run up against the Northern Securities Co. decision if you did that, might you not?

Mr. GARY. I do not know but that we would.

Mr. McGILLICUDDY. Do some of these subsidiary companies engage in one class of manufacture and some in another? They are not all manufacturing the same kinds of products?

Mr. GARY. Oh, no. Their products are very widely diversified, except as to some of the companies. The Carnegie Co. and the Illi-

nois Steel Co. each makes considerable of some of the same products, the Carnegie Co. having a very much wider range of products.

Mr. McGILLICUDDY. If one of your companies at a certain period is, perhaps, making a very small profit, or perhaps no profit in the manufacture of its products, are the prices of some other company raised to make up that difference, so as to average the loss?

Mr. GARY. Oh, no; oh, no.

Mr. McGILLICUDDY. Nothing of that kind has ever been done?

Mr. GARY. No. We have now what we call the deadly parallel columns.

Mr. McGILLICUDDY. In all of your own companies?

Mr. GARY. In our own companies. I mean by that that we have cost sheets, showing the costs of the different products at the different mills of the different companies; and when these come up for examination and it is ascertained that the costs at one mill or at one company are larger than are in some other place, then, of course, we bring these people together and ask them to find out why it is, and we endeavor to adopt all the best methods which have been in use at the lower-cost mill in the other mills, to reduce the costs of all.

Mr. McGILLICUDDY. You believe, then, Judge, and it is your policy, that it is better for each company to be in this combination? You believe it is better for that company; that it makes it stronger and better to do business than it otherwise would be, to do it alone?

Mr. GARY. Yes; I think it is.

Mr. McGILLICUDDY. So that if any outsider, any independent company, makes competition, it has to make it practically against the combination of your whole nine companies, does it not?

Mr. GARY. That is true, of course. I think we have some advantage.

Mr. McGILLICUDDY. By reason of that combination?

Mr. GARY. By reason of the aggregation of capital and by reason of our great talent and our organization and, among other things, because we have a large sum of money which we keep at a central bank, as you would call it in politics down here, and our subsidiary companies do not require more than half as much money, probably, as they would require if they were acting separately and independently of one another; and I believe these local companies could not do one-half or one-fourth of the export business which we do if they were segregated or divided—and that question of exports, as I said before, was the dominating factor, in my opinion, at the time—in my action at the time—of the organization of the United States Steel Corporation. It is very important to consider that.

The CHAIRMAN. This organization, then, serves a double purpose. It enables you, by these deadly parallel columns, and by frequent consultations among your various concerns, to constantly reduce the cost of production?

Mr. GARY. It does.

The CHAIRMAN. And by the power of the central body, the parent concern, it enables you to prevent, at the same time, a corresponding relation in prices?

Mr. GARY. Well, I think that question answers itself, of course.

The CHAIRMAN. Yes; I think it does.

Mr. GARY. We would not have one mill which we control operating against another mill which we control.

The CHAIRMAN. You get a twofold benefit from the organization?

Mr. GARY. That is, so far as these companies are in competition in their products; and, as I have already stated, that is very small.

Mr. YOUNG. Mr. Gary, does the United States Steel Corporation have any other or different or greater control over the prices of its own products than every other corporation has over the prices of its products?

Mr. GARY. It certainly does not.

Mr. YOUNG. If it has any advantage it is because it is larger than its competitors?

Mr. GARY. Because it is larger and better organized and has better equipment, etc., and means of transportation.

Mr. YOUNG. And it has the benefit of the comparison of the work being done in the different plants?

Mr. GARY. Yes, sir; I think that is very important.

Mr. YOUNG. It can bring the combined experience of its entire force to bear on any particular problem?

Mr. GARY. That is right.

Mr. YOUNG. I wanted to ask a few questions about this ore business in the lake regions.

The CHAIRMAN. Pardon me, Mr. Young. We would be glad to have you take up that line of examination after recess, if that would be agreeable to you.

Mr. YOUNG. Certainly.

The committee thereupon took a recess until 2.15 o'clock p. m.

AFTER RECESS.

At the expiration of the recess the committee resumed its session.

The CHAIRMAN. When the committee adjourns this afternoon, we will adjourn until Wednesday morning at 10 o'clock. I will say to the witnesses who are here that we will try to arrange between now and then to notify some of you that you will be needed on that occasion, so as not to bring so many back at once and inconvenience you. We will do the best we can. You will hold yourselves subject to notification, of course.

Mr. LINDABURY. I was about to make a request on behalf of Mr. Dickson, who has been here from the first, and who told me that he was very anxious to get his family up to his country place in northern New Hampshire. I told him I would propose to the committee that he be excused upon his promise to come on whenever he is telegraphed for, which I will do whenever the committee tells me to. We still will have four or five witnesses here, and I can get him here upon notification at any time.

The CHAIRMAN. We will want Mr. Lambert, too—Mr. Dickson and Mr. Lambert.

Mr. GARY. He was here this morning.

Mr. LINDABURY. Has he been subpœnaed?

The CHAIRMAN. He was here. Yes; he has been subpœnaed. We will take Mr. Lambert, then, and Mr. Dickson, Wednesday; and we will notify Mr. Ream, and the rest of them——

Mr. LINDABURY. No; that is a countersuggestion I made. I understood that Mr. Dickson wanted to go up to New Hampshire early

next week with his family, and my suggestion was that you do not take him until you tell me you will want him.

The CHAIRMAN. Whom would you suggest for Wednesday besides Mr. Lambert?

Mr. LINDABURY. I do not know whether it makes any difference to the gentlemen. I will confer with them.

The CHAIRMAN. All right. I partially promised Mr. Lambert that I would put him on next. Outside of that, I do not know of any members of the committee that have made any arrangements as to the order of witnesses, and you can suit your convenience about the other ones. I should like to have as many as two every day, so that if we get through with one we will not have to wait.

Mr. LINDABURY. We will have two, then.

Mr. BARTLETT. Of course, Mr. Chairman, the dismissal of witnesses tentatively leaves them subject to the subpœna, and their temporary absence will only be for the purpose of accommodating the witnesses?

Mr. LINDABURY. Entirely; the subpœna holds. That is understood.

Mr. LITTLETON. There will be no doubt about that. The counsel pledges himself to have the witnesses here.

Mr. LINDABURY. I think you can rely on that.

Mr. BARTLETT. Why, to be sure I do.

Mr. LINDABURY. Will you go on on Thursday? Shall I arrange for two more witnesses on Thursday?

The CHAIRMAN. I should think we can go on on Thursday.

Mr. LINDABURY. Then shall I arrange for two for Wednesday and two for Thursday?

The CHAIRMAN. For two days; yes, sir. You will notify us, please, as soon as possible which two you are going to call. Notify us to-day which ones, please.

Mr. LINDABURY. If I do not notify you to-day which ones, it will be because they will all be here. I think there are only four, anyhow. I perhaps will have them all here. If not, I will notify you.

The CHAIRMAN. All right.

Mr. LINDABURY. Otherwise I will ask them all to be here.

The CHAIRMAN. All right.

STATEMENT OF MR. ELBERT H. GARY—Continued.

Mr. YOUNG. Judge Gary, I understood you to say that you thought the Mesabi was the finest iron-ore district in the world.

Mr. GARY. I did.

Mr. YOUNG. Are you familiar with the iron-ore districts of Cuba?

Mr. GARY. I am, somewhat.

Mr. YOUNG. What can you say of their extent?

Mr. GARY. The properties have not yet been fully explored, and it is impossible to say. I think there is a very large body of a certain character and class of ore there. I do not think it compares favorably with the northern ores.

Mr. YOUNG. In what respect are they better?

Mr. GARY. The northern ores?

Mr. YOUNG. Yes.

Mr. GARY. In the first place the Cuban ores are very wet, and require a very costly treatment in order to concentrate them and make them usable.

Mr. YOUNG. Do you know whether or not they contain a percentage of nickel?

Mr. GARY. They do.

Mr. YOUNG. Does that add to their value or not?

Mr. GARY. That may be a disputed question. I think it is. There are gentlemen here whose opinion of the character and qualities of ores would be much better than mine. Mr. Gayley, for instance, our former vice president, who is not with us now and has not been for some years, but used to be with us, is an expert on ores, and his opinion and his description of those ores would be very good.

Mr. YOUNG. Mr. Schwab testified before the Committee on Ways and Means, when the Payne tariff bill was under consideration, that the engineers whom he had had upon the property on the north shore of Cuba reported that the ore bodies were at least as extensive as those in the Mesabi Range. Do you know anything about whether that is correct or not?

Mr. GARY. They are very extensive. I do not think they are as extensive as the Mesabi bodies.

Mr. YOUNG. He also stated that the addition of the nickel which was in the ore would make the steel made from that ore worth at least $2 a ton more than though it did not contain nickel—for some purposes; not for all. Have you any knowledge on that subject?

Mr. GARY. That is a matter of opinion, perhaps; but I believe it is the consensus of opinion that a mixture of nickel with our steel adds to the qualities of the steel. I should like to say also that Mr. Roberts, who is a member of our finance committee, and has been subpœnaed as a witness here, I consider an expert with reference to all departments of the manufacture of iron and steel.

Mr. YOUNG. Is it the practice in this country, in the manufacture of certain kinds of steel, to introduce nickel?

Mr. GARY. It is.

Mr. YOUNG. And that costs something, I suppose?

Mr. GARY. It costs something.

Mr. YOUNG. Has the United States Steel Corporation or any of its subsidiary companies any interest in any Cuban ores?

Mr. GARY. We have some interests. We have taken up some claims and made some explorations, and I hope will eventually secure some of the Cuban ores as a reserve. Of course, we must have a very large reserve of ores in order to take care of our business.

Mr. YOUNG. Is the Pennsylvania Steel Co. a large owner of Cuban ores?

Mr. GARY. It is; I think very large.

Mr. YOUNG. The Bethlehem Steel Co.?

Mr. GARY. I think the Bethlehem also has a large holding there. I believe the Pennsylvania is possessed of many hundreds of millions of tons of Cuban ore. That is my information.

Mr. YOUNG. You spoke of steam-shovel mines on the Mesabi Range. Are there any steam-shovel mines on the Menominee, Marquette, Gogebic, Baraboo, or Vermilion Ranges?

Mr. GARY. I believe not.

Mr. YOUNG. Then all of the steam-shovel mines are confined to the Mesabi?

Mr. GARY. I think so.

Mr. YOUNG. Are all of the Mesabi mines steam-shovel mines?
Mr. GARY. No; they are not.
Mr. YOUNG. About what proportion of the annual product from the Mesabi comes from steam-shovel mines?
Mr. GARY. I can not answer that. There is a large percentage that comes from shaft mining; but the larger portion, certainly, I would say, is steam-shovel mining ore.
Mr. YOUNG. Is that percentage changing any as time goes on?
Mr. GARY. Yes.
Mr. YOUNG. In what way?
Mr. GARY. In favor of the steam shovel. More and more of the Mesabi ores are being uncovered year by year.
Mr. YOUNG. On page 51 of the last annual report of the Steel Corporation appears a list of iron mines. Does that embrace all of the iron properties owned by the Steel Corporation at the time it was made?
Mr. GARY. This probably would not include all of the ore property which we own, but it includes all of the developed properties. This is designated by mines, you will notice.
Mr. YOUNG. Yes.
Mr. GARY. You will see at the top: "Developed iron-ore mines owned by subsidiary companies December 31, 1910." That is supposed to include them all.
Mr. YOUNG. Could you state which ones of these properties named in this list were owned outright by the Steel Corporation and those upon which you only had leases?
Mr. GARY. I can not from recollection, but will be glad to furnish a list if it is desired—a written statement.
Mr. YOUNG. Will you do that?
Mr. GARY. I will do so.
Mr. YOUNG. In that statement could you also add the length of time that these leases are to run?
Mr. GARY. I will.
Mr. YOUNG. Now, as to the Hill ores, so called. Do I understand that after the date you stated in 1913——
Mr. GARY. We may cancel in 1915, provided we give notice in 1913; that is my recollection of the lease.
Mr. YOUNG. Yes. Then, after having elected in 1913, you have to then retain your leases until their expiration, if you elect to hold them then?
Mr. GARY. Yes; or, stated differently and perhaps more accurately, unless we give notice of cancellation then the leases are continued.
Mr. YOUNG. Yes; and you have no further option to throw them up?
Mr. GARY. We have not.
Mr. BARTLETT. Indefinitely do you mean? Are they continued for a fixed period or indefinitely?
Mr. GARY. Well, as stated this morning in the record clearly, until the ore is exhausted, provided that is within the terms of such properties as are under lease and which expire by stated limitation.
Mr. YOUNG. When you furnish the statement of the leases and when they will expire, you will also include these leases on the Hill properties?
Mr. GARY. Yes.

Mr. YOUNG. You have stated that certain other companies engaged in the manufacture of iron and steel own ores on the Mesabi Range. Do they also own ores on the Michigan ranges?

Mr. GARY. I think they do, more or less, and there are many independent companies not engaged in manufacturing who own large quantities of iron ore on the different ranges—like the Cleveland Cliffs, for instance, and many other concerns.

Mr. YOUNG. Can you state about what proportion of the ore mined annually in the entire Lake Superior district is mined by the subsidiary companies of the United States Steel Corporation and what proportion by other corporations or companies? I refer to the whole Lake Superior district.

Mr. GARY. In 1909 we produced 45.6 per cent; and the independents, so-called (those outside of our interests), 54.4 per cent.

Mr. YOUNG. Have you the figures for 1910?

Mr. GARY. No; they are not yet made up.

Mr. LINDABURY. He has the figures for the preceding years, if you wish them.

Mr. YOUNG. Very well; let us have those.

Mr. GARY. In 1908 we produced 46.3 per cent; in 1907, 43.3 per cent; in 1906, 43.2 per cent; in 1905, 43.4 per cent; in 1904, 37.9 per cent; in 1903, 43.8 per cent; in 1902, 45.1 per cent.

Mr. YOUNG. I see that the annual report of the United States Steel Corporation, on page 17, shows the production of ore in 1910 by the Steel Corporation to have been 25,245,816 tons; and deducting the ore produced by the Tennessee Coal, Iron & Railroad Co.'s mines, it would leave 23,264,515 tons produced in the Lake Superior region. Do you know whether that is correct?

Mr. GARY. I think that is correct.

Mr. YOUNG. And do you know about what was produced by the independents that year, if you can not give the accurate figure?

Mr. GARY. I do not, but I presume the percentages were nearly the same as in 1909.

Mr. YOUNG. You were asked if there were any number of mines owned by independents on the Mesabi Range. I presume you are familiar with the names of mines up there?

Mr. GARY. More or less, but not as familiar as I used to be. I do not carry them in my mind.

Mr. YOUNG. I hold in my hand a book entitled "The Iron Ores of Lake Superior," compiled by Crowell and Murray, chemists and metallurgists, at Cleveland, in which they give a list of mines on the different Lake Superior Ranges. I notice, for instance, on the Mesabi, the following list being given as controlled by M. A. Hanna & Co. I wish to ask you if you know whether it is correct or not:

The Bessemer, the Brunt, the Croxton, the Forest, the Hanna, the Jordan, the Kellogg, the Kinney, the Larkin, the La Rue, the Liley, the Mahoning, the Mariska, the Onondaga, the Pettit, the Roberts, the Silver, the Victoria, the Wacootah, and the Wills—producing in 1909 2,138,528 tons.

Mr. GARY. I know they control many of those. I have no reason to doubt that statement is accurate. I feel certain Mr. Gailey could tell you certainly.

Mr. YOUNG. Turning again to page 51 of your report, I see it stated that the Steel Corporation owns a one-half interest in the

Pewabic mine on the Menominee Range. Are you able to say who owns the other one-half?

Mr. GARY. The Van Dyke family, of Milwaukee.

Mr. YOUNG. And on the Marquette Range, it is stated that the Steel Corporation owns a three-fourths interest in the Lake Superior group. Can you state who owns the other one-quarter interest?

Mr. GARY. I think the Cleveland Cliffs Iron Co.

Mr. YOUNG. Also the Queen mine on the Marquette Range?

Mr. GARY. That is the same.

Mr. YOUNG. In the Virginia district of the Mesabi I note the Union mine given as owned one-half by the Steel Corporation. Can you state who owns the other half?

Mr. GARY. I think the Republic Iron & Steel Co.

Mr. YOUNG. And in the Fayal district, it is stated that the Steel Corporation owns a one-fourth interest in the Biwabik. Can you state who owns the other three-fourths?

Mr. GARY. I think Todd, Stanbow & Co.

Mr. YOUNG. Is the Biwabik a large mine?

Mr. GARY. It is.

Mr. YOUNG. Do you remember about what it produces annually?

Mr. GARY. I do not. It is not producing as much now as it used to produce. I can not give you the figures for the present.

Mr. YOUNG. I see also it is stated that in the Hibbing district the Steel Corporation owns a one-fifth interest in the Mahoning mine. Can you state who owns the other four-fifths?

Mr. GARY. The Cambria Steel Co.—the Cambria Iron & Steel Co., I think.

Mr. YOUNG. What is done with the ores in these cases where you own a portion of the mine and somebody else owns the rest? Do you control all the ores, or are they divided?

Mr. GARY. They are mined under some arrangement whereby the proportions are received by the different owners.

Mr. YOUNG. Do you mean that the ore itself is divided?

Mr. GARY. I mean the ore itself is divided.

Mr. YOUNG. For instance, here at the Mahoning, where you have only a fifth interest, you would only get a fifth of the ore, and the rest, the other four-fifths, would go to the owners of the other four-fifths of the mine?

Mr. GARY. That is what I mean. That I suppose to be the practice.

Mr. YOUNG. Yes; and that is the practice of all these mines where you have joint ownership?

Mr. GARY. That is the general practice. I do not think of any exceptions now. That is one of the largest mines up there, I think.

Mr. YOUNG. I think you have stated that all of the independent owners of mines in Minnesota would have to ship their ores over roads controlled by the Steel Corporation or the Hill road?

Mr. GARY. At the present time, yes; to the lake--to Lake Superior.

Mr. YOUNG. Before the Steel Corporation was formed, was it also true in this region that certain mining companies owned railroads over which the ore had to be shipped to the lake?

Mr. GARY. That is true of the Duluth, Missabe & Northern and the Duluth & Iron Range Railroads. I doubt if at that time any of the Hill properties were being mined.

Mr. YOUNG. Was the Hill road built at that time?

Mr. GARY. I do not think it was. I am not sure that it was. I believe not.

Mr. YOUNG. Can you state whether or not, since the Steel Corporation has purchased these railroads, there has been any change in the freight charges to independent owners of mines, either by decreases or increases?

Mr. GARY. No changes have been made.

Mr. YOUNG. You have maintained the situation just as the former owners of the mines maintained it?

Mr. GARY. We have.

Mr. YOUNG. Has there been much complaint of those rates by independent owners?

Mr. GARY. I do not know of any.

Mr. YOUNG. All of the ore shipped from Minnesota——

Mr. GARY. I think I should modify my last answer to this extent: I believe during the last year there was some complaint by some one whose name I have forgotten, who had a small interest in some mine and who was willing, and perhaps I might say desirous, of selling that interest. I think he did go to some of the authorities and ask them to take up the subject matter of rates; and after considering the matter they declined to take up the matter.

Mr. YOUNG. Is the ore mined in Minnesota shipped from there into other States to be used?

Mr. GARY. It is shipped by rail to Lake Superior, and then by ship across to Lake Erie and Lake Michigan ports.

Mr. YOUNG. So, as you understand it, the Interstate Commerce Commission would have jurisdiction over those shipments?

Mr. GARY. I can not answer that question. I am not familiar with it.

Mr. YOUNG. You do not know whether it would or not?

Mr. GARY. I do not. I am very sure that you know better than I do.

Mr. LINDABURY. Are there through freights, or do you not know?

Mr. GARY. I do not know.

Mr. YOUNG. I think that is all.

The CHAIRMAN. Judge Gary, you speak of these roads being the outlet from those mines in which so many of the independents as well as the United States Steel Corporation have interests, and of the freight rate being reasonable, and having been retained since your company came in charge and control of them, at the same rate—not any rate being raised. This control over the common carriers between the Mesabi Range and the lake is a very great factor in the power to control the business of your competitors if you choose to exercise it, is it not?

Mr. GARY. I hardly think so, because the subject of rates is under the control of commissions. Of course, the ownership of those railroads is of decided advantage and value, first, because there is some profit in carrying the freight which is offered, and because it enables us to make deliveries which are satisfactory.

The CHAIRMAN. But what I mean, Judge Gary, is this: I am not charging, of course, that there have been any inordinate rates charged. I am asking now about the abstract proposition. Say that the Illinois or the Pennsylvania or the Cambria Steel Co. or some of these other large competitors of yours procured the bulk of their ores from the Mesabi region——

Mr. GARY. That probably is not true of the Pennsylvania.

The CHAIRMAN. I say, just for the sake of the illustration.

Mr. GARY. Yes.

The CHAIRMAN. If you were in possession and control of the common carrier over a part of the line of traffic over which this ore had to go, if you could fix your own freight rate upon that traffic, you could in that way to a degree fix the price of ore to your competitor, could you not?

Mr. GARY. We could if we had the absolute right to fix the price of carriage, which we have not.

The CHAIRMAN. But I am not charging that, Judge.

Mr. GARY. I thought you did assume that we had a right to fix the freight rate.

The CHAIRMAN. I beg your pardon.

Mr. GARY. We have not that right, notwithstanding we are the owner, because we are a common carrier.

The CHAIRMAN. I understand. You are amenable to the law. You do fix the rate, do you not?

Mr. GARY. Yes; we do. The rate has remained unchanged. It was fixed long ago, and we have never attempted to change it.

Mr. BARTLETT. You fix the rates subject to the approval of the commission?

Mr. GARY. The rate is continued, subject to the approval of the commission.

The CHAIRMAN. Of the State of Minnesota?

Mr. GARY. Of the State.

The CHAIRMAN. But if, for any reason, the State of Minnesota should not exercise its authority, and you were permitted to charge, or did charge, an exorbitant freight rate, the excess of that rate over the cost of carriage with a fair per cent would be in the nature of a tribute levied upon the ore of your competitor, would it not?

Mr. LINDABURY. I am not sure whether the committee entertains objections to questions. If it does, I should like to object to that question.

Mr. MCGILLICUDDY. Judge Gary can object to it if he wishes.

The CHAIRMAN. He is counsel for Judge Gary.

Mr. GARY. Of course the question is argumentative, Mr. Chairman, and contains various assumptions. I have no disposition to evade it at all.

The CHAIRMAN. I do not mean to assume that you have done anything wrong in the ownership and control of these roads.

Mr. GARY. But you ask what power we have?

The CHAIRMAN. Yes. I am simply asking you now the question about the power of the common carrier. I believe you have discussed that question before, Judge, and that is the reason I ask it. In speaking of the latent power, I might call it—to use the scientific term—of a great concern like this, in discussing whether your power was dependent upon the size of the concern or upon tariff rates, I believe,

before the Ways and Means Committee, you stated as follows. You were asked this question:

Mr. CLARK. Suppose this case: Suppose you did conclude for any reason, no difference what, to mark yours up to $30, and one of these independent concerns thought it had a good opportunity to make money, and it held its at $28 or marked them down to $27, have you not such a hold on the American market that you could immediately mark yours down to $20 or $25 long enough to put that fellow clear out of business, and then mark yours up again to where you wanted it?

Mr. GARY. Quite likely; that may be true. I will not say that that is not true. I will not say that in the competition we could not drive a good many of our competitors out of business.

Mr. CLARK. Now, another thing——

Mr. GARY. It is not because of our hold on the market.

Mr. CLARK. What is it, then?

Mr. GARY. It is because of our ability to produce cheaper and because of our ownership in the independent concerns, such as the railroads, the steamship lines, etc., which gives a large credit from the United States Steel Corporation's standpoint.

Now, I will ask you to enlarge on that.

Mr. GARY. I will subscribe to that; and that is not in accordance with the suggestion in your previous question, as I understand it. The fact that the United States Steel Corporation is the owner of ore and of transportation companies—I should say, the fact that it is in control, because the ownership is in these subsidiary companies—enables it to receive some profits by the operation of those mines and those transportation companies, and, therefore, from the standpoint of the United States Steel Corporation, reduces the cost of production; and that being so, we would have some advantage over competitors not having such facilities, and could sell cheaper than they could afford to sell. In a trade war—in bitter, destructive competition—I believe we would have some advantage over many other manufacturers of steel; and what is true of the United States Steel Corporation is true of some of the other so-called independents. That, of course, brings up this question as to what is to be done to fully protect all of the independents and, therefore, foster instead of destroy competition. It is a troublesome question.

The CHAIRMAN. Very. Judge, you pay these transportation companies for hauling your ore, just like the independent does, do you not?

Mr. GARY. We do.

The CHAIRMAN. And it is charged up. If you charge a reasonable rate, I will say—as we presume you do—it is paid by the United States Steel Corporation to the United States Steel Corporation, in its ultimate analysis?

Mr. GARY. Of course; the facts speak for themselves.

The CHAIRMAN. Yes. If you charge an excessive rate you would not be the loser by it?

Mr. GARY. The United States Steel Corporation would not be the loser.

The CHAIRMAN. Certainly. You are a director, I believe, in the Elgin, Joliet & Eastern Railroad Co.?

Mr. GARY. Yes.

The CHAIRMAN. In the Bessemer & Lake Erie Railroad Co.?

Mr. GARY. I think so.

The CHAIRMAN. In the Union Railroad Co.?

Mr. GARY. I am not certain about that.

The CHAIRMAN. In the Duluth & Iron Range Railroad?
Mr. GARY. I think so.
The CHAIRMAN. In the Duluth, Mesabi & Northern Railroad?
Mr. GARY. I think so.
The CHAIRMAN. In the Pennsylvania & Lake Erie Dock Co.?
Mr. GARY. I do not know about that, but I will say that I am a director in most of the subsidiary corporations.
The CHAIRMAN. And in the Pittsburg Steamship Co.?
Mr. GARY. I think so.
The CHAIRMAN. They are all subsidiaries of the United States Steel Corporation?
Mr. GARY. Or subsidiaries of subsidiaries. We took these properties over as we found them, as they had been organized before the creation of the United States Steel Corporation.
The CHAIRMAN. As they sometimes say in will cases, they are either first cousins or first cousins once removed. You are also a director in the Chicago, Lake Erie & Eastern Railroad Co.?
Mr. GARY. No; that is not the name—the Chicago, Lake Shore & Eastern.
The CHAIRMAN. The Chicago, Lake Shore & Eastern, is it?
Mr. GARY. I think so.
The CHAIRMAN. In the Hudson & Manhattan Railroad Co.—the "Tube," as it is called?
Mr. GARY. I am; but that has nothing to do with any of our companies.
The CHAIRMAN. I know; and in the Southern Railway Co.?
Mr. GARY. I am.
The CHAIRMAN. I am asking this for another purpose. You know from your experience as a railroad man, both in companies subsidiary to the United States Steel Corporation and companies that are not subsidiary, about what is a fair and a reasonable rate for the transportation of freight and what is a reasonable earning for a railroad company, do you not?
Mr. GARY. I do not think I can answer that in the affirmative. I have never had any experience in rate making.
The CHAIRMAN. You know how other people make rates? You know how rates are made—about what the rate is?
Mr. GARY. No; I do not know.
The CHAIRMAN. Is it not about 7 or 8 per cent? Is not that what has been declared by the Interstate Commerce Commission to be a fair and remunerative rate?
Mr. GARY. I am not competent to answer that question. I have not given any particular thought to it. I know, of course, that rates are subject to revision.
The CHAIRMAN. You have read the late decision of Judge Prouty, have you not?
Mr. GARY. No; I have not.
The CHAIRMAN. I will state that my recollection is that in that decision he refuses to raise the rates because, on the average, they are about 7 per cent.
Mr. GARY. Seven per cent?
The CHAIRMAN. They pay an income of 7 per cent to the persons who have stock—an interest of 7 per cent on the investment. Would you consider a rate of 10 per cent as exorbitant or as excessive?

Mr. GARY. That would depend altogether upon the railroad, I should think. For instance——

The CHAIRMAN. Well, an ordinary railroad?

Mr. GARY. Well, that is a very elastic word. Mr. Chairman, if you were to build a railroad on the lake, for instance, to an iron-ore district or a coal district, you would have to take into account the fact that in the course of time, sooner or later, the source of supply of freights would be entirely exhausted and the railroad left without any visible means of support. That is an important question to consider.

The CHAIRMAN. The Mesaba Range will not be exhausted in 60 years, will it?

Mr. GARY. I fear in a very much less time than that.

The CHAIRMAN. Would you say 25 or 30 years? I think you estimate your supply at 60 years ahead, do you not?

Mr. GARY. If so, that must have been a long time ago.

The CHAIRMAN. What do you estimate it at? I was judging from some of the reports. I do not seem to be able to lay my hands on them now.

Mr. GARY. Well, it depends on what grade of ore we will determine—I mean what quality of ore in that district—will be usable.

The CHAIRMAN. You have a lease on that Mesaba ore now, have you not?

Mr. GARY. We have leases, some running for one term and some for others.

The CHAIRMAN. What are your longest leases?

Mr. GARY. I do not know that I can answer that, but I do not remember any that have more than about 40 to 45 years to run, speaking of the longest.

The CHAIRMAN. You have a lease on the Mesabi Range running for 40 to 45 years?

Mr. GARY. It seems to me there are a few; some much shorter.

The CHAIRMAN. A lease of 40 years would presuppose that there would be some ore there yet at the end of 40 years, would it not?

Mr. GARY. Of course, if the ore is not exhausted.

The CHAIRMAN. The lease would expire, but you would not make a lease for 40 years unless you expected ore would be there for 40 years, would you?

Mr. GARY. We attempt to get a lease long enough to cover the necessities of the lessee.

The CHAIRMAN. I will ask you in regard to the Duluth, Mesabi & Northern Railway, if it was not completed in 1897 and 1898?

Mr. GARY. If it was not completed then?

The CHAIRMAN. Yes.

Mr. GARY. I do not know that I can answer that. I had no interest in or connection with it in any way until after the United States Steel Corporatin was organized.

The CHAIRMAN. Its entire capital stock was owned formerly by the Lake Superior Consolidated Iron Mines Co., was it not?

Mr. GARY. I think so.

The CHAIRMAN. And it became a subsidary of the United States Steel Corporation. The total length of that road, I believe, is 274 miles?

Mr. GARY. I believe I gave the mileage this morning. It is about 316 miles, main line, branches and spurs, without sidings and second tracks.

The CHAIRMAN. I took that from Moody's Manual.

Mr. GARY. That is probably correct.

The CHAIRMAN. I have no doubt you have it more correctly. Their capital stock is $5,000,000, is it not?

Mr. GARY. The authorized issue is that.

The CHAIRMAN. The amount outstanding is $4,112,500?

Mr. GARY. I believe that is right.

The CHAIRMAN. All owned by the Lake Superior Iron Mines Co., a subsidiary of the United States Steel Corporation?

Mr. GARY. Yes.

The CHAIRMAN. I ask you if in 1903 and 1904 you did not declare a dividend of 152 per cent; if a dividend of 152 per cent was not paid from the surplus earnings of that road?

Mr. GARY. I can not answer that. The reports are made to the commission in the regular way.

The CHAIRMAN. I ask you if in September, 1905, you did not declare a dividend of 70 per cent?

Mr. GARY. I can not answer that. Of course you know, without my suggesting it, that the capital stock does not represent the value of the railroad.

The CHAIRMAN. I understand.

Mr. GARY. We put in many, many millions not capitalized.

The CHAIRMAN. Yes.

Mr. GARY. I could not tell you now the value of the property.

Mr. LITTLETON. How much would be a fair capitalization?

Mr. GARY. I can not answer that, I am sorry to say, but a very much larger sum than that.

The CHAIRMAN. The franchise is exceedingly valuable. In June, 1906, it declared a dividend of 40 per cent?

Mr. GARY. I beg pardon?

The CHAIRMAN. I ask you if it did not declare a dividend of 40 per cent in June, 1906?

Mr. GARY. I can not answer, because I have not refreshed my recollection.

The CHAIRMAN. In September, 1907, another dividend of 50 per cent was declared?

Mr. GARY. I can not answer that.

The CHAIRMAN. And in June, 1906, a dividend of 60 per cent was declared?

Mr. GARY. The same answer.

The CHAIRMAN. Is Moody's Manual a good authority?

Mr. GARY. Yes; I think so.

The CHAIRMAN. That is mine. I will ask you if the freight earnings of that road in 1906 and 1907 were not $9,365,249?

Mr. GARY. I beg your pardon?

The CHAIRMAN. I ask you if the gross earnings of that road in 1906 and 1907 and 1908 were not $9,365,249?

Mr. GARY. That I can not answer. If it is true, as it may be, of course our own companies paid the most of that, as you know. It was largely bookkeeping.

The CHAIRMAN. I believe you said that 40 per cent of that ore was for you and sixty and odd per cent for somebody else?

Mr. GARY. Not of that ore.

Mr. LINDABURY. He did not say that. You have a misrecollection.

The CHAIRMAN. I thought that was the whole of that holding of the Mesabi Range.

Mr. LINDABURY. That was the per cent of the whole of the ore product.

The CHAIRMAN. I beg your pardon. I will ask you if the net earnings for 1908 and 1909 were not $5,295,986?

Mr. GARY. I can not answer that; but it seems to me when I say that I believe that Moody's Manual is reliable, that answers your question, and that it would be up to us to show that the representations in that manual are incorrect, unless we are willing to adopt them.

The CHAIRMAN. I understand you have no reason to doubt the figures?

Mr. GARY. I have not.

The CHAIRMAN. I will say this, in fairness, to Judge Gary. I will give these figures and get them in the record now, and if they are erroneous, I would be very glad if, before your hearings are finally printed, you would have any correction made; and in that connection, of course the traffic sheets would be competent to put in evidence.

In 1906 and 1907 I believe the gross earnings, passenger earnings, of that road were $284,447. Is that approximately correct?

Mr. GARY. I can not say as to that.

The CHAIRMAN. And the gross earnings were $10,679,973?

Mr. GARY. I can not say.

The CHAIRMAN. I will ask you if this concern, after paying these dividends of 152 per cent in 1904, of 70 per cent in 1905, 40 per cent in 1906, 50 per cent in 1907, and 60 per cent in 1908, had on hand a surplus for 1907 of $4,854,970 and for 1906 and 1907 a surplus of $5,736,386?

Mr. GARY. I have no recollection on the subject. I certainly would not deny the assertion without looking into the matter.

The CHAIRMAN. Are you a director in the Duluth & Iron Range Railroad Co.?

Mr. GARY. I am, I think.

The CHAIRMAN. Which was incorporated under the laws of Minnesota in 1874. You received swamp lands from the State, 10 sections to the mile, 98 miles. The entire capital stock was $3,000,000, I believe; outstanding, $4,500,000; second-mortgage bonds, owned by the Minnesota Iron Co., a subsidiary of the Federal Steel Co., later becoming a part of the United States Steel Corporation. Total miles operated, 224. Dividends of 1901 were 6 per cent; in 1903 and 1904, from accumulated surplus, you declared 150 per cent; September, 1905, 65 per cent; June, 1906, 40 per cent; September, 1907, 80 per cent; June, 1908, 40 per cent.

Dividends prior to 1900 aggregated 100 per cent.

Passenger earnings, 1907, $266,405.

Freight earnings, $5,854,676.

Gross earnings, $6,207,510.

I want to call your attention to this particularly, Judge Gary. Moody's Manual gives the gross earnings at $6,207,510, of which

$3,259,124 were net earnings. For 1906 and 1907 the gross earnings are given at $8,171,484, and the net earnings at $4,897,163. Those are the figures from Moody's Manual. You entertain no doubt on that subject?

Mr. GARY. I have no recollection on the subject.

The CHAIRMAN. I wish to call your attention to those figures, so that before you appear again you can look them up and, if necessary, correct them.

Mr. GARY. I remember about the time that the Federal Steel Co. was organized, perhaps just preceding that, there was complaint to the State commission, I think, in regard to the freight rates, and while I was not connected with the railroad at that time and know only from hearsay, I remember it was reported there was a very thorough examination of the whole question then, which included the actual values of the properties, regardless of their nominal capital, in order to determine whether the rates were excessive or not. I believe the commission found in favor of the railroad. That is my impression.

Mr. LINDABURY. They have a physical-valuation law in Minnesota, have they not?

Mr. GARY. Whether they have or not, they have the arbitrary right, I think, to determine what is a fair rate.

Mr. LITTLETON. These earnings or dividends appear, from these reports, very large?

Mr. GARY. Yes.

Mr. LITTLETON. So large that unless explained or understod many conclusions or deductions could be drawn from them. Can you explain the fact that they are as large as they are, or do you put it on the undercapitalization?

Mr. GARY. Largely on that ground, and partly on the ground that the location of the railroads makes them very valuable and their earnings very large, because the railroads are furnished by connecting interests with an enormous business—that is, the Steel Corporation interests—which enables these railroad companies to keep their roads in the very best condition, to furnish the very best equipment, and to transport at the minimum cost of transportation. I have no doubt that on the basis of a capitalization which would represent the cost of reproduction of the railroads the earnings are still very large, but, of course, nothing like that would appear from the figures which have been given.

The CHAIRMAN. Judge Gary, I notice among the directors of this road are Mr. James Gayley, W. E. Corey, Judge William S. Edenborn, directors, also heavily interested, of the United States Steel Corporation, and C. F. Cole, of the Copper Mining Co., or whatever it is.

Mr. GARY. I think the last three are no longer directors.

The CHAIRMAN. I would suggest, while it is irregular, Mr. Gayley is here, and if he knows any other reason than you have stated for this rather phenomenal showing I would be glad to swear him and have him throw any other light that he can on it.

Mr. GARY. Is it not better to wait? You are going to put him on the stand later, anyway, on other questions?

The CHAIRMAN. Yes; I want it to go on the record at the same time.

Mr. GARY. Suppose you take it up at that time.

Mr. LINDABURY. We can probably supply you with the data you want on that subject.

The CHAIRMAN. In that connection I would like to get data on the cost of construction, on the cost of operation, data on the length of the haul and cost, including the amount of steam coal that is necessary to transport one of these trains from the mines to the dock at the lake.

Mr. LINDABURY. The amount of what?

The CHAIRMAN. The amount of steam coal necessary for operation. It has been alleged and charged—not in the public prints; it seems not to have gotten into the public prints—and I will say frankly that I have been advised by persons who have some technical knowledge of these things, that, as Judge Gary says, you have probably here a minimum cost in the matter of transportation; that you can carry a ton a mile on these railroads cheaper than on any other railroad in the civilized world; but that may or may not be true. I want to get at that. I would like to get the cost of the original construction. I would like to get an estimate of what it would cost to reproduce those roads now.

In connection with this matter, Judge Gary, does the United States Steel Corporation, or anyone in its interest, own a controlling interest in the stock of the Elgin, Joliet & Eastern Railroad?

Mr. GARY. Yes; the Federal Steel Co., I think, owns all the stock of the Elgin, Joliet & Eastern Railroad Co.

The CHAIRMAN. What part of the through rate from points on its lines from South Chicago does that road now receive from main-line roads?

Mr. GARY. The Chicago, Lake Shore & Eastern Railroad is leased by the Elgin, Joliet & Eastern Railroad, which railroad does a very large general business. What the divisions are between the eastern lines and the Elgin, Joliet & Eastern Railroad at those points I have forgotten. I have known, but I have forgotten. They are very easily obtainable, however.

The CHAIRMAN. Does the United States Steel Corporation own at Gary, Ind., any railroad operated as a railroad, and which receives any division of the through rate from any point to Gary?

Mr. GARY. The Chicago, Lake Shore & Eastern Railroad extends to Gary. It has a very fine terminal at that point, perhaps one of the best in the world; and the Elgin, Joliet & Eastern Railroad, the lessee of that road, has various branches and connecting railroads, and operates those lines at that point.

The CHAIRMAN. These railroads, about which I have spoken, haul ore from the mines to the lake, and then they haul coal from the lake to the mines, back?

Mr. GARY. They haul some coal back; not very much. May I inject there, without being considered offensive, this: This question of divisions and terminal allowances, so called, has been one under discussion and investigation for some time, with the result that I think the Interstate Commerce Commission within the last year has received from a joint commission appointed by the trunk lines and the steel interests a good deal of information, and some recommendations in regard to the whole subject matter. I mention that for the purpose of showing that it has been our disposition to ascertain, in all

cases, what was legal and what was fair. I think some one from the commission a year or two years ago, possibly the chairman, but at any rate some one, knowing that many years ago—I could not tell how long ago without looking at the records, but at least six or seven years ago—I had written to our various companies that under no circumstances would we approve of the receipt of any divisions of terminal allowances that were not absolutely legal and fair and just, asked me to come before the commission with representatives of some of the railroads, to take up for consideration some of these various questions. Instead of doing that I appointed a committee representing our interests to meet a committee appointed by the railroads and they have had these matters under investigation and will make, if they have not already made, to the Interstate Commerce Commission a full report. Besides that, the Interstate Commerce Commission has had experts go all over these roads and examine very thoroughly into these questions, so that the facts will be fully developed, and we will be very glad to get the result and to conform to the decision of the Interstate Commerce Commission.

The CHAIRMAN. Judge, as I said, you haul ore downhill and coal uphill?

Mr. GARY. We do not take much coal.

The CHAIRMAN. But what you do goes uphill. It is down grade to the lakes. What is the charge that you make for hauling ore for the use of your competitors, as well as yourselves, down grade, and the price you charge per ton for the hauling of coal up grade—or coke; I presume there is no difference in the cost of transportation?

Mr. GARY. Whether there is a difference in rates between carrying ore and coal, I am not able to state just at this moment.

The CHAIRMAN. I will ask you if you do not charge just 100 per cent more for hauling the coke up hill or hauling the coal up hill than you charge for hauling the ore down?

Mr. GARY. I can not deny that, because I am not acquainted and I do not know.

The CHAIRMAN. I will ask you which is the easier to transport—the less costly, other things being equal, over the same road—coke or ore?

Mr. GARY. I should think the cost, by weight, of carrying coke would be more. That would be my opinion.

The CHAIRMAN. The coke must be lowered into the cars to a great extent by hand, and must be unloaded in the same way; is not that true?

Mr. GARY. I can not answer that, Mr. Chairman.

The CHAIRMAN. Coke has a much greater bulk to the ton than ore?

Mr. GARY. I can not deny that.

The CHAIRMAN. Now I will ask you if the rate on the roads running from the Connellsville district to this harbor on Lake Superior——

Mr. GARY. Or Lake Michigan?

The CHAIRMAN. Yes; or Lake Superior either.

Mr. GARY. Do you mean from the coke region to——

The CHAIRMAN. To the Duluth iron region. From Two Harbors, or anywhere in that region; to Two Harbors, or the termination of the roads at the Lake. Is not the rate on those roads 3 mills per ton a mile?

Mr. GARY. The Duluth & Iron Range Railroad does not carry any coal to the lake.

The CHAIRMAN. I mean the common carriers running through that region of Pittsburg—the roads running out of the Connellsville district up to Chicago—do they not carry coal at an average of 3 mills per ton per mile?

Mr. GARY. I can not answer that.

The CHAIRMAN. What is your rate on this ore? Is it not 1 cent per ton per mile—10 mills?

Mr. GARY. I can not answer that.

The CHAIRMAN. Is it not 70 cents per ton from the Mesaba Range to the lake?

Mr. GARY. I do not know. I can not answer.

Mr. LINDABURY. The other is probably a ballast rate.

The CHAIRMAN. What?

Mr. LINDABURY. The coal probably goes as ballast.

The CHAIRMAN. It must go in some strange way.

Mr. GARY. I have an impression, Mr. Chairman, that that whole question of rates, so far as it applies to the railroads in Minnesota, is a question in which the State authorities are interested, and that no one outside of the State and the people who ship over those roads is interested in the subject. That would be my impression. I do not know that that is so. I am not sure that they are interested.

The CHAIRMAN. If they are?

Mr. GARY. I doubt if they are, but I am not sure.

The CHAIRMAN. Their rates, however unusual—I will not say excessive—would be beyond the jurisdiction of the Federal Congress. But if those rates within a State became a part of an instrumentality in the hands of the United States Steel Corporation, by which you obtained an unwarranted advantage over your competitors, then it would be a matter, as I see it, of cognizance for this committee, although as independent concerns, unconnected with the United States Steel Corporation, they might escape the Federal courts or escape the notice of the Federal Congress by virtue of the fact that they were amenable only to the State of Minnesota, and for some reason the State of Minnesota did not act, and for that reason I inquired.

Mr. LINDABURY. It would be evidential of a bad purpose.

The CHAIRMAN. I do not wish to ask the question. It would be clearly imcompetent; but I made that statement to Judge Gary.

Mr. LINDABURY. I agree with the chairman that it would be evidential of an illegal purpose here.

The CHAIRMAN. Yes.

Mr. LITTLETON. I have some questions to ask here.

Mr. LINDABURY. Before you ask that, I would be glad to say now to the committee, as we are to take an adjournment until next Wednesday, that if any member of the committee can tell us of any information they would like us to gather and bring on Wednesday we shall have two or three days to get it and bring it on Wednesday, and we would be very glad to do that.

The CHAIRMAN. I would like to have a full history of the various concerns, especially the nine subsidiary concerns which formed the United States Steel Corporation at its birth. I would like to get, if I can, a statement of the number of mills, furnaces, coking ovens, and the like, which comprise the American Steel & Wire Co., the

Federal Steel Co., the American Sheet & Tin Plate Co., and the rest of these companies. By that I mean that I want to know this—I will explain as to one of these companies—say, the American Steel & Wire Co. was originally formed out of 100 concerns, which at that time were under an independent ownership, absolutely independent and without any connection with any other one. I want to get the names of those independent concerns, with their capitalization and with their real value, their output at the time they were first combined—not at the time they were combined in the United States Steel Corporation, but with any other concern—and then I want to take these successive absorptions until we can consistently follow this whole into its ramifications and different parts and know just how many independent concerns have been absorbed by the United States Steel Corporation, and what other evidence will be pertinent.

Mr. GARY. Let me say, in answer to that, we, of course, can furnish a statement of just what properties these subsidiary companies had at the time we took them over. We can not give you very much of the previous history of those corporations, except as to the Federal Steel. We took the properties as we found them. The Federal Steel I know all about; but the others I do not know very much about as to their organizations—the companies that formed them.

The CHAIRMAN. I want such as you have.

Mr. LINDABURY. We will do the best we can.

The CHAIRMAN. And I will help you all I can.

Mr. LINDABURY. Now, I beg Mr. Littleton's pardon for interrupting him.

Mr. YOUNG. With that, could you not furnish the terms on which the United States Steel Corporation was organized—that is, showing how much was taken in and how much stock, or bonds, or money, or whatever it was, was given for each property?

Mr. GARY. I think I can do that. I think I can give you pretty clearly, if it is desired, the facts leading up to and connected with the organization of the United States Steel Corporation. I believe I am as familiar with that as anyone—perhaps more familiar with it than almost anyone else.

Mr. GARDNER. But you can not give us the pedigrees of the subcompanies?

Mr. GARY. I can not.

Mr. GARDNER. Except of the Federal Steel Co.?

Mr. GARY. Yes. You see, these companies were brought to us in their then condition, with the asking prices and valuations put upon them, and we took the properties as we found them and put a valuation upon them as we found them, and started from that point.

Mr. GARDNER. Where can the information be found which, for instance, will show the origin of the North Chicago Rail Mills?

Mr. GARY. I can not answer that. I should doubt very much, indeed, if you could get that.

Mr. GARDNER. You would doubt whether it could be found, even by research?

Mr. GARY. The reason I say I would doubt it is that I have heretofore, at the request of others, tried to get some information in regard to those matters and have been unsuccessful. You can naturally see that these properties, having changed from day to day and from

year to year and having been added to and increased in value, reached a point where the people who were willing and desirous, perhaps, of selling them in 1901, did not produce the original records to show what they had started from or how they were capitalized, because undoubtedly they were asking prices which they considered represented the then value of the property, and if they had those records they did not produce them, and I do not know what became of them. I have not any idea in regard to it.

The CHAIRMAN. You are a director of the United States Steel Products Co., are you not?

Mr. GARY. Yes; I believe so.

The CHAIRMAN. A subsidiary company here?

Mr. GARY. Yes.

The CHAIRMAN. What is the capitalization of that company?

Mr. GARY. Its authorized capital, I think, is $1,000,000. The stock of that corporation, I think, is owned by the Federal Steel and that is the company which looks after the export business.

Mr. GARDNER. Is that the one Mr. Farrell is in?

Mr. GARY. Yes.

The CHAIRMAN. The Universal Portland Cement Co.; are you a director in that?

Mr. GARY. I presume so.

The CHAIRMAN. Do you know what its capitalization is?

Mr. GARY. I think $1,000,000.

The CHAIRMAN. Any bonds?

Mr. GARY. No bonds.

The CHAIRMAN. The Sharon Tin Plate Co.; are you a director in that?

Mr. GARY. I do not think I am a director, but I am not sure. I think that is a subsidiary company of the Union Steel.

The CHAIRMAN. Yes; I believe so. How about the Clairton Steel Co.?

Mr. GARY. I am a director in that, I am very sure.

The CHAIRMAN. What is its capitalization?

Mr. GARY. $3,500,000 of stock. Perhaps I can give you the bonds. There are seven or eight million dollars of bonds.

The CHAIRMAN. What is the capitalization of the Carnegie Natural Gas Co.?

Mr. GARY. There are some bonds. I do not know the capital stock.

Mr. LITTLETON. How many subsidiary concerns are there at present, the stock of which is owned by the United States Steel Corporation?

Mr. GARY. I think 11. There may be more, but those are the principal companies.

Mr. LITTLETON. When you organized you procured or bought the stock of nine, did you not?

Mr. GARY. Perhaps so. We can get the published circulars of that time.

Mr. LITTLETON. I am coming now to one particular company.

Mr. GARY. Yes.

Mr. LITTLETON. Your company finally took over the control of the Tennessee Coal & Iron Co.?

Mr. GARY. It did.

Mr. LITTLETON. When was that done?

Mr. GARY. In November, 1907.

Mr. LITTLETON. Where is the property of the Tennessee Coal & Iron Co. located?

Mr. GARY. Largely in Alabama.

Mr. LITTLETON. And about how long had you been an operating company before you took it in?

Mr. GARY. I have an impression—for 30 or 40 years.

Mr. LITTLETON. Had it been prior to that time a forcible and contending competitor of yours?

Mr. GARY. I could not answer that in the affirmative.

Mr. LITTLETON. Had it been a competitor?

Mr. GARY. It had been to some extent; a very slight extent.

Mr. LITTLETON. Of what did its property consist?

Mr. GARY. Of iron ore, coal, and a manufacturing plant and a terminal railroad.

Mr. LITTLETON. Do you know what the acreage beginning with that of the real estate of the property amounted to?

Mr. GARY. I do not.

Mr. LITTLETON. This is rather asking you the same question, but I have referred to an article which I have here. Is it a fact that it owns or did own, when it was taken over by your company, iron properties embracing nearly 450,000 acres?

Mr. GARY. Do you mean mineral rights or surface rights?

Mr. LITTLETON. Yes; mineral rights.

Mr. GARY. I would not be surprised if that is true. If you will allow me to examine our annual report, I can perhaps tell you.

Mr. LITTLETON. Yes.

Mr. GARY. We had a total acreage, in Alabama, of surface rights and mineral rights added together, of 340,263 acres; in Tennessee, 105,740 acres, and in Georgia, 1,420 acres, or a total of 447,423 acres.

Mr. LITTLETON. Was that all embraced in the properties of the Tennessee Coal and Iron Co.?

Mr. GARY. It was.

Mr. LITTLETON. I will call your attention to a statement made by Mr. John Moody, and ask you if you dissent from it or agree with it:

The acquisition of this organization—

That is, the Tennessee Coal & Iron Co.—

has added great potential value to the steel organization and has increased the tangible equity of its common-stock issue to a far greater extent than is commonly realized. The Tennessee Coal & Iron properties embrace, besides important manufacturing plants, nearly 450,000 acres of mineral lands in the Birmingham section of Alabama. As shown in the report of the Tennessee Co. in 1904, when an appraisal was made by outside parties, these lands contain approximately 400,000,000 tons of first-class low-grade ore and more than 1,200,000,000 tons of coal, of which about one-half is coking coal. This estimate indicates that the deposits embraced are even in excess of those of the great Lake Superior properties controlled by the corporation, including the Great Northern ore bodies. This entire property was acquired, as is well known, on very favorable terms.

That I do not ask you to assent to, but I wish to ask you about that. The description given there in that article is substantially correct?

Mr. GARY. I do not agree with that at all; no.

Mr. LITTLETON. How much ore did it add to the possessions of the United States Steel Corporation?

Mr. GARY. There was an estimate, at the time we purchased, of 700,000,000 tons of ore, about 400,000 tons, as I remember, of which was usable, on top of the other—usable by their method. However, as you know, probably, it was an inferior grade of ore and not of very great value, in my opinion, for reasons which I will give if you desire. You could hardly consider that in connection with the Lake Superior ores, so called, or as adding to the Lake Superior ores.

Mr. LITTLETON. I asked you the question so as to make it clear.

Mr. GARY. Yes.

Mr. LITTLETON. What do you consider was the amount of ore you obtained by reason of procuring control of the Tennessee Coal & Iron Co.?

Mr. GARY. I believe we obtained five or six hundred million tons of ore, a portion of which, at least, was at present usable in that locality, provided there was a market for it—that is, a market for the iron or the steel which could be manufactured at that point.

Mr. LITTLETON. How much coal did you acquire by the acquisition of the Tennessee Coal & Iron Co.?

Mr. GARY. We suppose a large body; perhaps more than 1,000,000,000 tons, and perhaps 1,000,200,000, as stated there.

Mr. LITTLETON. Did you consider that a valuable acquisition?

Mr. GARY. Why, it had value, of course; but there was plenty of coal like it which could be bought at a very low price, and there is a good deal yet. And there is plenty of ore property like that which could be bought, and can be at the present time, I think, by the acre, at, say $50 to $100 an acre. Some of you will know what that means.

Mr. LITTLETON. Was the Tennessee Coal & Iron ore a good grade for the making of ordinary pig iron?

Mr. GARY. That could be utilized in the manufacture of fairly good pig iron, at a certain cost.

Mr. LITTLETON. What did the property consist of in the way of improvements for the purpose of mining and making steel; or, to be more specific, what was the output of the furnaces, per ton, per annum?

Mr. GARY. A full statement of the properties of that company, at that time, is found on pages 26 and 27 of the annual report of 1907.

Mr. LITTLETON. I am not going to follow the details of that so closely as to require consultation. All that I am going to do is to ask you the topical questions and then go to another point. It has been stated that the capacity of the blast furnaces of the company in 1907 was about 160,000 tons per annum—that is, I speak of the Tennessee Coal & Iron Co.?

Mr. GARY. That is probably right.

Mr. LITTLETON. And that of the developed coal and ore mines about 20,000 tons per day?

Mr. GARY. That may be right. I do not know. That is probably right. In the year 1907 there was produced about 1,500,000 tons of ore—that amount was mined; there were produced about 244,000 tons of limestone and dolomite; and coal, exclusive of coking coal, about 1,700,000 tons; and of coke, about 1,100,000 tons. There were 602,000 tons of pig iron, about; open-hearth steel, ingots, and castings, about

243,000 tons; rails, about 149,000 tons; billets, plates, and bars, about 88,000 tons.

Mr. LITTLETON. This article which I called your attention to, which I have consulted, continues with this statement:

If we compare this capacity with that of the actual production of all the other properties owned by the Steel Corporation, outside of the Tennessee Coal & Iron Co., for the year 1907, we will get the following results: Blast-furnace products, 10,819,968 tons; ore and coal mined and limestone quarried, 39,576,161 tons. In other words, the capacity of the new properties acquired, according to the figures above, is about 15 per cent of the total production of mining products of the entire corporation for last year and about 8 per cent of the blast-furnace products.

Mr. GARY. I have given you the production, and I am prepared to give you the results in figures of operations before we secured the property, and since, after an expenditure of $15,000,000 or more by us, including the payment of $6,500,000 which the company owed when we took it over. These values hinted at are fictitious.

Mr. LITTLETON. What was the capitalization of the Tennessee Coal & Iron Co. at the time you took it over?

Mr. GARY. I gave that.

Mr. LITTLETON. $32,000,000, was it not?

Mr. GARY. There was $29,950,000 of common stock and $124,000 and over of preferred stock. The bonded indebtedness was $14,419,000, and purchase-money notes, $826,000. It owed current liabilities, floating debt, $4,168,102, considerable of which was past due.

Mr. LITTLETON. Did you or your company solicit the purchase of the Tennessee Coal & Iron Co., or was it offered to you by those who had the authority to sell it?

Mr. GARY. It was offered, one way or another; offered many times, at about the time we acquired it. It was offered by Lewis Cass Ledyard, who was the attorney for Col. Oliver Payne, and who had been interviewed by Mr. Schley, of Moore & Schley; and I would like to suggest, if I may, that I think Mr. Lewis Cass Ledyard ought to be subpœnaed to state the exact facts which led up to his coming to J. P. Morgan to beg him to suggest to the United States Steel Corporation the propriety and the necessity for the purchase of those properties.

Mr. LITTLETON. You understand it to be a fact that he will be subpœnaed, Judge Gary, if he can shed any light on this question.

Mr. GARY. I am very sure his testimony will settle the question whether we desired to purchase the property, or whether the owners desired to sell the property.

Mr. LITTLETON. Your understanding is that Mr. Ledyard came to Mr. Morgan as the initial step in the transaction?

Mr. GARY. No doubt about it; and I would be very glad to give you the history of it, so far as I know it, if you desire.

Mr. LITTLETON. I wish you would.

Mr. GARY. Very well. In one way or another the stock of the Tennessee Coal & Iron Co. had been offered to the United States Steel Corporation, I will not say authoritatively or by the owners exactly, but by people who assumed to be acting between, or acting for the Tennessee people. Our people had been opposed to the purchase of the property at any price or on any basis, and had distinctly said so. Finally, I think sometime in the early part of 1907—not intending to be accurate as to dates—Mr. Morgan sent

for me and said that Mr. George Kessler who, as you know, was a wine merchant, but who had purchased some of this stock outside of the Schley syndicate, as I will call it, had approached him, Mr. Morgan, with the statement that the stock of the Tennessee Coal & Iron Co. could be purchased at about 130, and asked me my opinion. I told Mr. Morgan I did not think that it was worth half of that; I did not think we could afford to take it at any such price; that I would like to bring Mr. Frick over to the bank and get his opinion. He came over to the bank, and Mr. Frick expressed about the same opinion. The matter was then dropped. I believe Mr. Morgan told me that afterwards he found out that Mr. Kessler represented only himself, and did not represent the other people, as Mr. Morgan had supposed.

Along about the 23d day of October, 1907, Mr. Morgan requested me to come over to the bank, and said Mr. Schley was very much in need of money, or securities which he could use at the bank. I think I saw Mr. Schley at the bank at that time; if not, I did later; but the business finally resulted in my accommodating Mr. Schley by loaning him $1,200,000 par value of our second bonds, and taking from him an agreement to return those bonds; and I received from him, as security for the fulfillment of his agreement, $2,000,000, par value, of the stock of the Tennessee Coal & Iron Co.

The agreement provided, as I remember, that if the $1,200,000 par value of bonds were not returned by April 23, 1908, the ownership of the $2,000,000 par value of the stock of the Tennessee Coal & Iron Co. should be and remain in the United States Steel Corporation. That was done as an accommodation to Mr. Schley at his very urgent request and because he stated it was absolutely necessary to protect him from financial trouble. That, you see, would be taking the Tennessee Coal & Iron Co. stock as security on the basis of 60.

Mr. LITTLETON. Pardon me, do you know how much Mr. Schley had of the Tennessee Coal & Iron Co. stock at that time?

Mr. GARY. No; I do not. I did not know anything about it at that time, except so far as appeared by this transaction. I have here the written agreement between the United States Steel Corporation, signed by myself as chairman, and Moore & Schley and the members of the firm of Moore & Schley, and under the circumstances and in view of the fact that he has heretofore appeared before a committee and exposed the facts in regard to this I feel justified in giving all the facts, and I will furnish the committee a copy of this agreement.

Mr. LITTLETON. Yes.

Mr. GARY. I will exhibit it now to the committee, and I would like to retain this, of course, but will be glad to furnish you with a copy.

Mr. LITTLETON. We will be very glad to have a copy.

Mr. GARY. The next thing that occurred in relation to this purchase was about the 2d day of November, 1907. We were then in the midst of what I have termed a financial cyclone. There were runs on many banks throughout the city of New York, including the Trust Co. of America, the Lincoln Trust Co., and very many other banks. The panic had extended all over the country, more or less. Banks in Chicago had drawn their money from the New York banks so far as they could, and banks in other cities had collected

their moneys. It was impossible for depositors to get out of the banks throughout the country the money they had in the banks. It was impossible for business men to borrow money. Loans were being called in New York, Chicago, St. Louis, and various other cities. As an illustration, a president, or vice president, of one of the trust companies in New York called me on the phone to say that unless the bank could secure $1,000,000 in credits that day it would have to close its doors, and asked me to help if I could. I applied to J. P. Morgan & Co., who had received pledges from various bankers there to furnish certain amounts of moneys or credits, for assistance, and they stated that they had so many applications and had so much business of this kind on hand that they could not devote any time or attention to it, and asked me to find out if this Trust Co. was entitled to any relief, and I asked my own people, comptroller and assistant treasurer, to go to that bank and make an examination of it. I think they spent the whole night doing so. The next morning I received their report and in turn reported to J. P. Morgan & Co. that the bank had securities enough to entitle it to relief, and $1,000,000 was furnished, and afterwards, I think, a good deal more. The bankers of our city were in session almost night and day. I was at Mr. Morgan's library several nights nearly all night. Many of the leading bankers of our city were there nearly all night. There is no doubt that there was every indication that we were in the throes of a panic which might lead to the most disastrous results, including the suspension of a large number of banks, and the failure of a great many different people. To one who could see this, who could talk with the people and talk not only with the bankers themselves but the depositors and people generally, there could be no possible doubt that the country was in very grave danger of one of the worst financial panics that has ever been witnessed in this country. I have not undertaken to describe it, or do any more than refer to it. But at this time, I say, Mr. Morgan telephoned a request to me to come to his library, and I went. I found Mr. Lewis Cass Ledyard, and, I think, Mr. Schley was with him; he was on several occasions, although I did not talk with Mr. Schley at the first interview. Mr. Ledyard was the counsel of Mr. Payne.

Mr. LINDABURY. Oliver?

Mr. GARY. Oliver Payne. He was one of the gentlemen named in what has been called the "syndicate," which had purchased a controlling interest in the Tennessee Coal & Iron Co. That syndicate was made up of a number of very rich people.

Mr. LITTLETON. Right on that head, and before proceeding further, is it or is it not a fact that Moore & Schley held the stock of the Tennessee Coal & Iron Co. for and on behalf of a syndicate of gentlemen?

Mr. GARY. A majority of the stock.

Mr. LITTLETON. A majority of it; on behalf of a syndicate of gentlemen comprising O. H. Payne, who had 10,300 shares; L. C. Hanna, who had 10,300 shares; J. P. Duke, who had 10,300 shares; E. J. Berwind, who had 10,300 shares; J. W. Gates, who had 10,300 shares; A. N. Brady, who had the same amount; G. A. Kessler, who had the same amount; Oakleigh Thorne, who had the same amount; E. W. Oglebay, who had 5,150 shares; H. S. Black, who had 5,150 shares; F. D. Stout, who had 5,150 shares; J. W. Simpson, who

had 5,150 shares; G. W. French, who had 2,500 shares; S. G. Cooper, who had 1,500 shares; and J. A. Topping, who had 1,000 shares?

Mr. GARY. I think that is correct, except I do not think Kessler was in the original syndicate. I think he bought outside, and Schley finally took his stock with the rest and made some advances on it.

Mr. LITTLETON. With that qualification, then, the situation at that juncture was that Moore & Schley held, for and on behalf of these gentlemen who comprised the syndicate, 118,300 shares of the Tennessee Coal & Iron Co; that is your understanding?

Mr. GARY. Yes.

Mr. LITTLETON. Now you may go ahead.

Mr. GARY. Mr. Ledyard stated that Moore & Schley were in very great financial distress. I think he stated it perhaps more strongly than Mr. Schley stated it when he was before the Judiciary Committee of the Senate, although I read that statement to-day, and I noticed that Mr. Schley testified that he was in great financial distress at that time, and did not know what would become of him unless he secured help by the sale of this stock. I think Mr. Ledyard stated that Moore & Schley were largely indebted to Mr. Payne, and had a great many of his securities; that Moore & Schley had deposited with their securities on an indebtedness aggregating more than $30,000,000 a large amount of the Tennessee Coal & Iron stock as collateral security in a very great many banks in New York; that these banks had called these loans, or insisted upon Moore & Schley taking up the Tennessee Coal & Iron stock, for the reason that it was not salable. It had been a stock that over a period of years had been put up from a very low figure to a very high figure, being in the control of a syndicate which, I will not say manipulated it—I had nothing to do with it—but it influenced the greatest fluctuations in it. That is very easily ascertainable.

Mr. BARTLETT. They had this stock up in various banks, you say, but it was rather a fact, was it not, that it was up in the trust company of which Mr. Oakleigh Thorne was president?

Mr. GARY. He had about four hundred-odd thousand of them up at that bank, as I understand. I understood from Mr. Ledyard that Moore & Schley had loaned to their customers who had bought this stock and put it in, sums of money, and then they, Moore & Schley, in turn had pledged this stock with these banks as collateral security, in a great many different banks, aggregating, in all, about $6,000,000. That was the statement as I understood it, as I remember it.

Mr. Ledyard said that, in his opinion, there was no possible way of preventing the failure of Moore & Schley unless we purchased this stock, and he believed if Moore & Schley failed it meant the failure of a great many banks. Mr. Morgan said to me, "I do not know whether the United States Steel Corporation can afford to buy this stock or not; I will express no opinion on that subject. But I will say that, in my opinion, if it does not buy the stock, or unless it or some one else furnishes relief at this particular time, there is not any man on earth can say what the result will be in the financial circles of this country. In my opinion, the circumstances make the conditions very critical, and if you can see your way clear to buy this stock, there is no doubt it will help the situation. Now, I turn Mr. Ledyard over to you and you can take up and consider this question and see what, if anything, you can do." I said to Mr. Morgan, "In the first

place, I would not think of considering the purchase of this stock without going to Washington first and taking the matter up with the President or the Department of Justice, or both." He said, "Why? Have they any right to say whether you buy or not?" I said, "No; they have not. But here is a financial crisis, and from your standpoint the object of buying this stock would be to allay this storm, to assist in overcoming this panic, and if the Department of Justice or the President should find out we had purchased, or were about to purchase it, and should enjoin us from purchasing on the ground that it would add to our holdings and thereby raise the question of creating or adding to a monopoly, you can see at once that what we had done would be to make the financial conditions very much worse than they are now; and therefore, it seems to me, we ought to know how the President and the Department of Justice would feel about the question." He said, "Well, I think that is very forcible, and I see no objection to your going over there if you feel like it." I said, "I certainly would not be in favor of considering this without going over there."

I then telephoned Mr. Frick, a member of our finance committee. I think Mr. Ream and some others were out of the city that day, although I am very sure Mr. Ream and most, if not all, of the members of the committee attended subsequent days when we held various meetings to consider these questions. I telephoned Mr. Frick and asked him to come to the library, which he did immediately. It seems to me it was early in the morning, and, as I remember, the report from his house was that he was out riding. But I left word for him to come to the library as soon as he returned, and he did so within a comparatively short time. He came to the library, and I stated to him briefly the situation and asked him if we should consider this question, if he would go with me to Washington, and he said the first question to consider was whether we would consider the purchase of this property. He had spoken against this a good many times, and he was opposed to it. He did not think he wanted to purchase it. He made the statement that he did not think it was worth more than what I said I thought it was worth. I had said to Mr. Ledyard that, in my opinion, the stock was not worth over 65; and I believe Mr. Ledyard will corroborate that. Mr. Frick expressed about the same opinion. He was very much opposed to it, and not until after I had gone over the subject with him carefully, and he had approached Mr. Morgan and Mr. Morgan had told him—he and I had gone to Mr. Morgan's room—how he felt about the panic, did he give any encouragement whatever in regard to his opinion and his influence. Finally, however, he said he would like to think it over. In the meantime, I think, I had telephoned the secretary of the company to come to the library, and I asked him to telephone the members of the finance committee and secure a meeting at the library of the finance committee as soon as possible, and they came there very soon. This whole subject matter was gone over very carefully by me, and I think Mr. Frick offered the resolution—I would like to tell you what resolution was passed at that first meeting. Remember, it had been represented that Mr. Schley had on deposit as collateral security toward the payment of his loans only about six millions of the stock of the Tennessee Coal & Iron Co. I think he said then five or six millions. I thought the resolution on its

face stated what we decided upon, but it does not; it provides that on November 3 the whole subject matter be reported to the chairman, with power.

But it was understood that we would offer to loan Mr. Schley either five or six million dollars in cash, taking the Tennessee Coal & Iron Co. stock as collateral security for the repayment of that loan; and if that failed to satisfy his wants, that, then, we would buy the stock on the basis of paying 90 for it in bonds of the United States Steel Corporation. I went back to Mr. Ledyard and made a proposition to make this loan to Schley. He talked with Schley, and made answer that that would not do at all; they could not get along with that; that Mr. Payne himself had offered to loan Mr. Schley, I think, a million dollars; someone else had offered to loan a million dollars; and someone else, or others, a million dollars. So that, as I remember, there were about $3,000,000 additional, which would provide in cash to Moore & Schley about eight or nine million dollars. But that Schley said that would not do at all, and he could not possibly get through. Mr. Frick himself, then, as I remember, had a conversation with Schley and tried to urge him to accept this loan, saying we did not want the stock and did not believe in its represented value; did not believe it was worth over 60 or 65 at the outside. Mr. Schley told Mr. Frick, as I remember, that he could not get along with that loan; that he must sell this stock; that there were various reasons why that was the only way he could possibly keep the firm from bankruptcy. Mr. Schley was represented by an attorney, Mr. Thatcher, of Simpson, Barnum & Thatcher, who was his counsel, Mr. Ledyard representing Mr. Payne, but trying to help Mr. Schley because Mr. Schley was indebted to Mr. Payne; and, if I am not mistaken—I would not like to do anybody an injustice—if Mr. Thatcher should be subpœnaed and would have the right, from a professional standpoint, to state it—I am not sure about that—I believe he would say that an assignment had been prepared for either Moore & Schley or Mr. Schley.

Mr. LINDABURY. An assignment for the benefit of creditors?

Mr. GARY. For the benefit of creditors.

Mr. LITTLETON. That is, Mr. John Thatcher?

Mr. GARY. Mr. Tom Thatcher.

Mr. LITTLETON. Do you think Mr. Schley would permit Mr. Thatcher to tell that?

Mr. GARY. That I do not know.

Mr. LITTLETON. Of course the privilege lies with Mr. Schley.

Mr. GARY. I understand Mr. Schley has said since—I do not know, but he testified—that he could have got through this panic all right. Anybody who say him at that time and heard him talk would not think he believed he could get through at that time.

Mr. LINDABURY. I want to say that Mr. Schley is a neighbor of mine in the country, and he is a pretty sick man just now. I do not believe he ought to be approached from what I hear.

Mr. LITTLETON. We have his testimony on the subject in another hearing.

Mr. GARY. Thereupon I began to talk to Mr. Ledyard about the purchase of this stock on the basis of 90, and, as I remember, he and I finally agreed, subject to the objection which might possibly be made in Washington, in the way and for the reasons I have heretofore

suggested. As I remember, Mr. Ledyard or Mr. Schley, represented by Mr. Thatcher, but communicating through Mr. Ledyard, agreed to take 90 for the stock and take his pay in bonds.

Mr. LITTLETON. At that point did you or Mr. Ledyard or Mr. Thatcher or any of you believe that the President or Attorney General had any right to indorse this transaction?

Mr. GARY. I was clearly of the opinion that he did not, and later I will be very glad to tell you how that question came up and what took place, because I feel certain now that every one connected in any way will agree that the exact facts and all the facts should be made known, and I do not know that there has ever been any other opinion held by anyone.

I have stated that we offered, under the conditions and subject to the conditions mentioned, to pay for this stock in the bonds of the United States Steel Corporation. They were then quoted at about 84, which, by comparison with other stocks in the market, was pretty high, notwithstanding it was a very low price for those bonds, which had sold, and should have sold, and did soon after sell, for better than par. But they were considered the best kind of security, and they were more salable, in my opinion, in large amounts than anything else on the market, any other kind of bonds or stocks, strange as it may seem. There was a great market for those bonds, and after this trade was made millions and millions of them sold, commencing at about 84 and not going down below about 78 or 79, as I remember. The United States Steel Corporation interests had, in different banks scattered throughout the country, about $75,000,000, and we would have been pleased to pay for this stock in cash rather than pay for it in our bonds at 84, except for the fact that we could not do that without disturbing the financial conditions of the country, disturbing the financial conditions of these banks, respectively, where our money was deposited. I was receiving requests from Pittsburg banks to withdraw our money in other localities and put more money in the banks of Pittsburg; also the same request from Chicago, the same request from other cities, and requests from New York banks to bring more money in from other cities to New York, as that was the seat of the greatest trouble, the seat of the whole trouble. I was afraid to disturb these banking conditions and relations by the withdrawal of money.

Mr. LITTLETON. How much would it have withdrawn, about?

Mr. GARY. It would have withdrawn twenty-five or more million dollars. We could not have withdrawn from any bank anywhere at that time $5,000,000 without creating a very great disturbance, the final result of which no man at that time could measure or possibly form any adequate notion of. If I had been disposed to take advantage of the financial conditions to make money, with this large deposit in the different banks, with these great resources, I could have bought securities—that is, bonds of all sorts and descriptions in the market, which had gone down to a comparatively low price. There was every opportunity for anyone who had cash resources to make money. But certainly there was no such disposition on the part of the United States Steel Corporation, or anyone connected with it, and therefore we proposed to pay for the Tennessee Coal & Iron stock in the bonds of the United States Steel Corporation, which were in our treasury, and which were as good as cash—which could be sold in the market

and which would be received by any of the banks as collateral security in the place of the Tennessee Coal & Iron stock or any other stock.

I say that Mr. Ledyard and I agreed upon the price of 90. He came back to me, it seems to me, the next day—some time subsequently—and said he was told by Mr. Schley and his counsel that the price of 90 would not possibly let Messrs. Moore & Schley, or Mr. Schley out; they could not get along with that. I notice, in reading the testimony of Mr. Gates, that he says he got home and he made them raise the purchase price of securities. But the whole transaction was closed before Mr. Gates's return from Europe—before he arrived in New York, and if he made that statement he must have made it by Marconi, and certainly it was not communicated to us. The reason given to us, and the only reason, for proposing to increase the purchase price was that the stock at 90 was not sufficient to allow the firm of Moore & Schley to pull through.

I went back to our finance committee and represented those facts, and we had another meeting on November 4 and another resolution was passed, again referring the whole subject matter to the chairman with power; and I returned to Mr. Ledyard and agreed to raise the price from 90 to 100 in order to allow Moore & Schley to pull through. My bargaining was all with Mr. Ledyard; the negotiations were entirely between Mr. Ledyard and me, as I remember. Mr. Morgan certainly did not participate in any respect nor attempt to influence anybody to buy or sell. I do not hold any brief for Mr. Morgan, but I mention that in connection with some of the published and sensational statements which have undoubtedly been based on misinformation.

Mr. GARDNER. I would just like to understand. Your first agreement was to buy the stock at 90 per cent of its face value—the securities?

Mr. GARY. Yes; and pay for it in bonds at 84.

Mr. GARDNER. And pay for it in bonds at 84; that is to say, you paid $72 on the hundred?

Mr. GARY. I have not made the figures; but afterwards I agreed to pay par for the Tennessee stock in bonds at 84. That, in other words, would be paying about 119 for the Tennessee stock, on the assumption that the bonds were worth par.

Mr. GARDNER. In other words, you paid out $840 for $900 worth of their securities, or did you pay $100?

Mr. GARY. $840 for a thousand, par value, of their securities was the final trade.

Mr. GARDNER. That is what I want to get at.

Mr. GARY. No; it is the other way. I was mistaken.

Mr. GARDNER. What I want to get at is this: Were you going to pay them $100 for $100 worth of their securities, only you happened to settle, for convenience, in bonds at 84, or were you going to pay $84 for $100 worth of securities?

Mr. GARY. Your first statement is right.

Mr. GARDNER. Then let me ask you, just to clear my own mind on the subject—because I have only gone on the committee to-day—you said that Col. Payne offered to lend a million dollars originally?

Mr. GARY. I was so informed. You get all those facts from Commodore Ledyard.

Mr. GARDNER. I want to follow you; that did not show, apparently, as a drop in the bucket; that that was followed by a proposition from you to lend $6,000,000, or thereabouts?

Mr. GARY. They all came in together. Commodore Ledyard said Mr. Payne would provide a million dollars, and other parties, I remember, about two millions more, and then we offered to add to that a loan of five or six million dollars.

Mr. GARDNER. In addition to the three?

Mr. GARY. Yes, sir.

Mr. GARDNER. That brings it up to nine millions?

Mr. GARY. Eight or nine millions.

Mr. GARDNER. But that would not let Messrs. Moore & Schley out of their difficulty. Then, the next proposition, as I understand, was 90 per cent of the face value of their securities; that was $25,000,000, or thereabouts?

Mr. GARY. I think so.

Mr. GARDNER. And that would not let Moore & Schley out of their difficulties?

Mr. GARY. That is right.

Mr. GARDNER. Finally you paid over $30,000,000, and that did not let them out. Now, what I want to get at is, What were Moore & Schley's obligations that required such an enormous difference as between the original proposition of Col. Payne and what finally was furnished?

Mr. GARY. These obligations which were paid for by the United States Steel Corporation were not all the obligations of Moore & Schley. They did have obligations in the bank, as I understood, of between thirty and forty million dollars.

Mr. GARDNER. Thirty or forty millions of dollars was about the selling price of the securities?

Mr. GARY. They had borrowed thirty or forty.

Mr. GARDNER. But they had against that the Tennessee Coal & Iron stock, which was worth something?

Mr. GARY. And various other stocks. I do not know the details of those loans. But here is a thing I would like to have you get in your mind; it is important: Most of the gentlemen who were participants in this syndicate, so-called, who were wealthy men—many of them, at least—were not obligated at all on the Moore & Schley loans; but, as I understood it, and as I believed from their acts at the time, they were very glad to turn in their stock, which they owned at these prices which were agreed upon. But just how much of the bonds which we turned over were needed by Moore & Schley to take care of themselves we were never informed.

Mr. GARDNER. Here is what I want to get at. You said you and Mr. Frick decided that the stock was worth from 60 to 65, in your opinion.

Mr. GARY. Not more than that.

Mr. GARDNER. That is all you cared to pay for it, ordinarily?

Mr. GARY. Yes.

Mr. GARDNER. But on account of Mr. Morgan's representation to you that if Moore & Schley failed it would be followed by a financial panic whose size could not be measured, you finally gave them 100 for that which you thought, only as a business venture taken by

itself, to be worth only $65; in other words, that you came to the rescue of Moore & Schley to the extent of over $30,000,000?

Mr. GARY. Not over 30,000,000.

Mr. GARDNER. Why not?

Mr. GARY. You mean the total?

Mr. GARDNER. You gave them in bonds, which were convertible into cash, somewhere from 79 to 84 of its face value; you gave them $30,000,000. That is, what they could use as cash. That is what I want to get into my mind, whether that great amount of money was necessary to avert this calamity which was impending, in view of the fact that a large number of holders in the pool of Moore & Schley were men whose interest it was obviously to share with you that cost of averting a panic?

Mr. GARY. I do not know the figures with respect to the indebtedness of Moore & Schley, which was secured by this stock; nor do I know how many other members of the syndicate owed and had put up that stock. Mr. Schley, in his testimony, refers to the fact that a good deal of it was up. I do not know how much, and we never had those figures. What we did know, or what we were informed, was that eight or nine million dollars was not sufficient, and we were also told that there was no way of preventing this failure except by the purchase of the whole of the stock.

Mr. GARDNER. At 100 per cent?

Mr. GARY. At 100 per cent. Now, I suspect that members of that syndicate who were not in debt said to Schley: "We have put this stock in your hands with an agreement that it shall not be sold by you unless sold at a profit, and it has cost us about 110"—I think Schley said it stood him in at that—"and we will not allow you to sell your interest in that syndicate unless at the same time you put ours in at the same price and give us a chance." That is what I suspect; I do not know that. But I do know those were rich men, some of them.

Mr. GARDNER. You found a situation in which Mr. Morgan said: "I do not know whether you can buy this or whether you can buy that, but here is the fact, unless Moore & Schley have the money they say they must have"—which ultimately turns out to be $30,000,000, or its equivalent—"they are going to the wall, which means general ruin." Ordinarily a man would say to himself: "Of course, it will ruin the United States Steel Corporation as well as it will other people if there is a panic, and are there not some people around who can share this loss we are going to stand in, because we are paying 100 for that which we think is worth only 65?" You would naturally have looked around to see if there was not somebody who had to pay his share to pull Moore & Schley out of the hole. Was there somebody else, or did the whole burden come on the United States Steel Corporation?

Mr. GARY. It did finally, and would under any circumstances, except to the extent of about $3,000,000, as I understand.

Mr. GARDNER. Some of those names there that were read off as holding 10,300 shares seem to me like persons with whom Mr. Morgan should have influence.

Mr. GARY. Which one, for instance?

Mr. GARDNER. Oakleigh Thorne.

Mr. GARY. I do not think he would have very much influence. What other one? There may be some one on there, but I do not

think there was anyone there that Mr. Morgan would have a particular influence over.

The CHAIRMAN. Mr. John W. Gates? [Laughter.] In that connection, Judge, while they are waiting, are you willing to-day to dispose of that property for what you paid for it?

Mr. GARY. That is a very pertinent question, and I would like to answer that in just a minute. I just want to add, in answer to Mr. Gardner's question, this suggestion. He has spoken of Mr. Morgan making these representations. There were several other leading bankers, whose names I do not now remember, all of whom were very much excited, and who made the same representations; that is, the representations which Mr. Morgan made, as I understood, were that if Moore & Schley failed, and these loans, therefore, in these various banks were put in a position where the clearing house could not approve them, then he could not answer for the results. That was the statement, and Mr. Morgan said, "Now, Mr. Ledyard tells me that unless this stock is purchased Moore & Schley must fail. That is his opinion, and he has no doubt about it. Those are the facts."

Mr. GARDNER. What I was trying to get at was, why you did not have any partners in misery.

Mr. GARY. I presume you have been in trouble before, when you have seen a large portion of the people surrounding the trouble run in all directions. Mr. Morgan is the one man who, on such occasions, will rise to the occasion and put his own money into the other banks or on the stock exchange or anywhere to prevent the panic or prevent trouble, and give the use of his name and his credit to help people who are in financial distress. He has done it over and over again, and on this occasion no doubt he risked many, many million dollars of his own money in order to try to avert the panic. But that is not true of all others. It is true, though, that on this occasion many of the leading bankers of New York gathered around Mr. Morgan, and with him became responsible for large sums of money. They were all obligated in many directions and in large sums, and these bankers believed from the representations which had been made to them that the United States Steel Corporation—or, at least, they hoped—could afford to buy this stock and help out the situation and finally recoup itself against loss. So that it may not be true, and I have not said that as a final result the United States Steel Corporation made a heavy loss. I would be glad to give you my opinion.

Mr. GARDNER. We do not expect you to make a loss, because the panic was terminated. But naturally you took your risk of a loss. What I want to get through my mind is, why you had alone to make a present to Moore & Schley—and that is what you did in paying 100 for that of which the market value was only 70 per cent—why you alone had to stand in the way of that thunderstorm.

Mr. GARY. Because there was no other customer for that stock; because if that stock had been put on the market the price, before it had been sold, would have gone down very much below 65, in my opinion. I believe that company would have been in bankruptcy in a very short time if it had not had help.

Mr. GARDNER. Suppose you had adhered to your original offer of 90?

Mr. GARY. Then, perhaps, we would not have gotten the stock. Perhaps Moore & Schley would have made an assignment and precipi-

tated all this trouble. If it was true, as represented, that the 90 would not let him out——

Mr. GARDNER. How would he be better off by making an assignment?

Mr. GARY. He would not be any better off; but the financial conditions would be very much worse off.

Mr. GARDNER. But I was thinking, what could his possible motive be in refusing that offer?

Mr. GARY. He could not get through.

Mr. GARDNER. If he would have to take less in the long run?

Mr. GARY. If he would have had to. If he was going to fail, he might as well fail for an old sheep as a lamb.

Mr. GARDNER. He might as well pull other people down with him?

Mr. GARY. I suppose there are still some Sampsons in the world. I do not know whether he might be of that disposition.

Mr. LINDABURY. He probably could not get his stock out of "hock."

Mr. GARDNER. That is very likely. I want to get clearly in my mind why it was that the United States Steel Corporation paid 100 finally for that which you had determined was worth only 65, and that you alone were the people doing it. I can perfectly understand that if you were the only people who would do it, it might pay you very well to do it.

Mr. GARY. That is the answer.

Mr. GARDNER. That you had exhausted all other possibilities?

Mr. GARY. That is the answer.

Mr. LITTLETON. Will you take up the thread of your story where you had it a moment ago?

Mr. GARY. Very well.

Mr. LITTLETON. You agreed to pay 100.

Mr. GARY. I think that was Sunday night. We had a meeting of the finance committee as late as 11 o'clock, and maybe 12 o'clock, Sunday night.

Mr. YOUNG. Had you seen the President previous to that?

Mr. GARY. No. I think it was about 10 o'clock when I called up the private secretary of the President and asked him to make an appointment for Mr. Frick and me to meet the President at the earliest practicable hour the next morning. He got in communication with the President and said the President would see us at 10 o'clock Monday morning, as I remember it. We held a meeting of the finance committee very late that night, and immediately afterward Mr. Frick and I secured a special—an engine and a car—and went to Washington. We might have started later, considerably later, but we arrived in Washington, I think, about 8 o'clock, or if we arrived earlier we did not get up before about 8 o'clock. I suggested to Mr. Frick that, notwithstanding our appointment at 10 o'clock, we had better go to the office of the President and endeavor to see the President before 10 o'clock. Mr. Morgan had said the conditions in New York were so critical he would like to know the opinion of Mr. Frick and myself at the very earliest moment. We went to the office of the President and saw his secretary there, I think, at about 9 o'clock. I will not undertake to be strictly accurate as to the hour, but I think it was about 9 o'clock that we arrived at the office of the secretary. I briefly stated our business, and the secretary said the President was at breakfast; it was not his custom to come to his

office before 10 o'clock—I understood that was his rule—and he was not accustomed to seeing anyone until after he had had a chance to look at his mail. I asked him if he would go to the President where he was breakfasting and say to him that Mr. Frick and I were here; that we considered it very important to see him immediately, and ask him if he would make an exception. He returned with the President, and the President said at once, after hearing the story, that he would like to consult the Department of Justice. I think Mr. Bonaparte was out of the city. The President then directed that Secretary Root be requested to come to the office of the President immediately. I am not sure whether this interview was in the office or one of the rooms in the White House. That is not important, of course; I may be mistaken about that; I rather think it was in the White House. But, wherever we were, the President requested Mr. Root to come to where the President was immediately. Mr. Root appeared very soon after. The President then asked me to again state the case in Mr. Root's presence, which I did. The result of that interview I immediately telephoned to New York. The secretary to the President had kept the telephone open.

Mr. LITTLETON. Did the President ask Mr. Root his opinion on this question?

Mr. GARY. He did.

Mr. LITTLETON. As to the validity and legality of this?

Mr. GARY. He did. There was no disagreement between us. Now, gentlemen of the committee, I have a record of the substance of what took place on that occasion, and I see no reason for not giving it to this committee.

Mr. LITTLETON. We would like very much to have it.

Mr. GARY. I have never been requested not to give it to the committee nor requested to treat it as confidential.

Mr. YOUNG. When was this record made up, Mr. Gary?

Mr. GARY. I will give you the dates. On November 7, 1907, two days after Mr. Frick and I visited the White House, I wrote to Secretary Root as follows:

NOVEMBER 7, 1907.

MY DEAR MR. SECRETARY: At the recent interview at the White House between the President, yourself, Mr. Frick, and myself, I stated, in substance, that our corporation had the opportunity of acquiring more than one-half of the capital stock of the Tennessee Coal, Iron & Railroad Co. at a price somewhat in excess of what we believed to be its real value, and that it had been represented that if the purchase should be made it would be of great benefit to financial conditions, and would probably save from failure an important business concern; that under the circumstances Mr. Frick and I had decided to favor the proposed purchase of stock unless the President objected to the same. I further stated that the total productive capacity of our companies would not be materially increased by the ownership of the properties of the Tennessee Co., and, after the purchase, would probably not amount to more than 60 per cent of the total steel production in this country, which was about the percentage of our companies at the time of the organization of the United States Steel Corporation; that our policy was opposed to securing a monopoly in our lines or even a material increase of our relative capacity. I understood the President to say that while he would not and could not legally make any binding promise or agreement he did not hesitate to say from all the circumstances as presented he certainly would not advise against the proposed purchase.

If consistent will you kindly write me if the above statement is in accordance with your understanding and recollection?

Sincerely, yours,

E. H. GARY.

Mr. Root responded as follows:

NOVEMBER 11, 1907.

MY DEAR MR. GARY: I have your letter of November 7. It fully agrees with my recollection of the interview to which you refer, in which you stated to the President the circumstances under which the United States Steel Corporation had been asked to relieve the financial situation by purchasing a majority of the stock of the Tennessee Coal, Iron & Railroad Co. I have sent a copy of your letter, with this answer, to the President, with a recommendation that it be transmitted to the Department of Justice for filing there.

Very sincerely, yours, ELIHU ROOT.

I received another letter from Mr. Root, as follows:

NOVEMBER 20, 1907.

DEAR MR. GARY: I inclose a copy of a letter which I have sent to the President inclosing a copy of your letter of November 7, and a copy of the President's answer. You have a complete copy of what you will be able to find upon the files of the Department of Justice if any occasion arises.

Very sincerely, yours, ELIHU ROOT.

Inclosed were the following copies. First, from Mr. Root to the President, dated November 11, 1907:

DEAR MR. PRESIDENT: I transmit herewith a copy of a letter from Mr. E. H. Gary, president of the United States Steel Corporation, dated November 7, 1907, received by me on the following day. You will perceive that it relates to the interview which Mr. Gary had with you last week regarding the purchase by his company of the capital stock of the Tennessee Coal, Iron & Railroad Co. I send also a copy of my answer to Mr. Gary, and recommend that these papers be sent to the Department of Justice and placed upon the files of that department.

Very truly, yours, ELIHU ROOT.

A letter from the President to the Secretary of State:

NOVEMBER 19, 1907.

MY DEAR MR. SECRETARY: I am in receipt of your letter of the 11th instant and inclosures, and have forwarded them to the Attorney General to be placed on the files of the Department of Justice, together with a copy of this letter. Mr. Gary states the facts as I remember them.

Very truly, yours, THEODORE ROOSEVELT.

Mr. LITTLETON. Is there any additional fact, qutside of that contemporaneous record, which you remember, Judge Gary, of the events of that visit?

Mr. GARY. I remember some of the conversation. I remember the Secretary of State saying to the President that of course he had no right to say that we could buy this property. The President said he understood that. He thought all we wished to know was what would be the disposition of the President and the Department of Justice in case we did buy, for the reason that if there was an objection by the Government we would not accomplish the desired result.

I remember the President saying he was glad to know that the percentage in production of the steel of this country of the United States Steel Corporation was not greater and was even less than it was at the time of the organization of the company; that he felt, as I knew, that the question of monopolies in this country was a very serious one, but he said:

In view of the fact that your percentage has not increased, but has decreased, and the further fact that all of us have an appreciation of the financial conditions in New York, I do not believe that anyone could justly criticize me for saying that I would not feel like objecting to the purchase under the circumstances.

Now, I know it is believed by the chairman of this committee, from statements which he has made, that Mr. Frick and I misrepresented the facts to the President. Of course I regret that very much, and I am going to try to show to the committee, if I am permitted——

The CHAIRMAN (interposing). That you possibly misled him unintentionally?

Mr. GARY. Of course I would not intentionally misrepresent your statement.

The CHAIRMAN. The chairman did not mean to make that statement quite that bald.

Mr. GARY. I want to satisfy the chairman and the committee, if I can, by the facts and figures, that we did not make any misrepresentation. I believe everyone connected with the United States Steel Corporation cares more for his conduct and his reputation and his character than he does in regard to the question of making or losing a few dollars. I want to satisfy you of that, if I can, by the facts and figures, which are undisputed.

The CHAIRMAN. Since the gentleman has been free to mention the attitude of the chairman in the matter, I would like to say that the chairman is now sitting in a judicial capacity, notwithstanding the fact that he was the proponent of the resolution. The chairman will say to the gentleman that after a careful investigation of such information as was obtainable, such information being the sworn testimony and statement before the Committee on the Judiciary in the Senate of the United States, his opinions in that matter were predicated upon that sworn testimony as to the facts. His opinions as to the law were predicated upon such poor authority, if the gentleman so deems it, as the opinions of Senator Culberson, Senator Foraker, Senator Bacon, and the other jurists, who until this time I considered quite able men, who expressed themselves in terms equally as explicit as the chairman of this committee. The chairman regarded the absorption of the company, at that time a competing company, by the tacit approval of the President, with genuine grief and profound astonishment.

Mr. GARY. I have always regretted that the full facts in regard to the acquisition of the stock of the Tennessee Coal & Iron Co. were not developed before the Judiciary Committee of the Senate, to which you have referred.

Mr. LITTLETON. The only witnesses who testified on that occasion were Schley, Thorne, Perkins, and Herbert Knox Smith, so far as the record shows. Did you see the correspondence from the President to the Attorney General that followed your visit?

Mr. GARY. I have seen that many times; yes, sir; I saw it published.

Mr. LITTLETON. I think it should go into the record at this time—the complete correspondence.

(The letter from the President to the Attorney General, referred to by Mr. Littleton, follows:)

THE WHITE HOUSE,
Washington, November 4, 1907.

MY DEAR MR. ATTORNEY GENERAL: Judge E. H. Gary and Mr. H. H. Frick, on behalf of the steel corporation, have just called on me. They state that there is a certain business firm (the name of which I have not been told, but which is of real importance in New York business circles) which will undoubtedly fail this week if help is not given. Among its assets are a majority of the securities of the Tennessee Coal Co. Application has been urgently made to

the steel corporation to purchase this stock as the only means of avoiding a failure. Judge Gary and Mr. Frick inform me that as a mere business transaction they do not care to purchase the stock, and under ordinary circumstances they would not consider purchasing the stock because but little benefit will come to the steel corporation from the purchase; that they are aware that the purchase will be used as a handle for attack upon them on the ground that they are striving to secure a monopoly of the business and prevent competition—not that this would represent what could be honestly said, but what might be recklessly and untruthfully said. They further inform me that as a matter of fact the policy of the company has been to decline to acquire more than 60 per cent of the steel properties, and that this purpose has been persevered in for several years past, with the object of preventing these accusations, and, as a matter of fact, their proportion of steel properties has slightly decreased, so that it is below this 60 per cent, and the acquisition of the property in question will not raise it above 60 per cent. But they feel that it is immensely to their interest, as to the interes of every responsible business man, to try to prevent a panic and general industrial smash up at this time, and that they are willing to go into this transaction, which they would not otherwise go into, because it seems the opinion of those best fitted to express judgment in New York that it will be an important factor in preventing a break that might be ruinous; and that this has been urged upon them by the combination of the most responsible bankers in New York who are now thus engaged in endeavoring to save the situation. But they asserted they did not wish to do this if I stated it ought not to be done. I answered that while of course I could not advise them to take the action proposed, I felt it no public duy of mine to interpose any objection.

Sincerely, yours, THEODORE ROOSEVELT.

HON. CHARLES J. BONAPARTE,
Attorney General.

Mr. LITTLETON. Did you or Mr. Frick tell the President what company was to be saved from failure?

Mr. GARY. I believe not; I think not.

Mr. LITTLETON. On the question of the salvation of the company from failure let me ask you this question: Moore & Schley could not have failed for a large amount of money unless the loans which they had in the banks were called, could they? It is not likely?

Mr. GARY. I would not say that it was likely; of course, I do not know.

Mr. LITTLETON. Did anybody ascertain the number and amounts of the loans which they had in the banks at that time?

Mr. GARY. We endeavored to verify the statement of Moore & Schley. I sent two representatives to their books who made an examination. I have attempted since I was subpœnaed to come before this committee to get the result of that examination. One of the gentlemen, and the one who was best informed in regard to the result, I could not find. I have forgotten his name, but it is not material. He has, I think, left the city. I could not find him. Mr. Joyce, the other one, has only a general recollection. He says that he remembers he reported to me that their loans were very large, and that the securities were distributed throughout the different banks.

Of course you know how the business of a broker is done. He buys stock for his client, and his client may deposit a margin in cash, and he takes the stock and goes to a bank and borrows money on the stock and puts that up as collateral.

Mr. LITTLETON. Only a pledge?

Mr. GARY. Only a pledge.

Mr. LITTLETON. In order to make this transaction justifiable in the afterview, whatever might have been the foreview of it at that time, it was easy for you to have been deceived, unless you actually

knew the amount of money which Moore & Schley owed, as to the dire necessity of purchasing this property?

Mr. GARY. I would think so. I think we were deceived, whether intentionally or otherwise, in this respect. I believed at that time, although I presume it was not so represented, that Moore & Schley had a very much larger amount of the Tennessee Coal & Iron stock as collateral than I now believe, after seeing this syndicate arrangement, they had actually deposited, unless the stocks of many of these rich men were deposited on account of indebtedness by the members of this syndicate to Moore & Schley.

Mr. LITTLETON. Do you think the syndicate was enlarged when the prospect of the sale of the stock brightened?

Mr. GARY. I do not know that it was at that time. I have an opinion, not justified by evidence, that when that syndicate was formed and that stock purchased there was a hope on the part of some that the stock could be sold to the United States Steel Corporation. I would not like to do anyone an injustice. That may not be true.

Mr. LITTLETON. When you went to the President and met him and the Secretary of State, knowing, as you have stated, that if it were a violation of the law no absolution could be given by them, it amounted, did it not, to your obtaining the opinion of the President and Secretary of State as to whether it was a violation of law?

Mr. GARY. I do not know that I would quite assent to that opinion. I did reach the conclusion that if we acquired those securities and there should afterwards be any proceeding of any sort on behalf of the Government against us to set aside or prevent the consummation of that purchase or do anything else it would be a great outrage.

Mr. LITTLETON. And if any subsequent proceedings were taken against the company after this purchase were made under these circumstances the company would have rather a strong defense, would it not, in stating its position to the Government?

Mr. GARY. I would think so, if Mr. Martin Littleton was defending the case with his ability to express himself.

Mr. LITTLETON. That is very complimentary, Judge, and I appreciate it.

I notice in the letter of Mr. Bonaparte the following:

On November 4, 1907, the President addressed to me a letter of which I inclose a copy. At the time of the visit to him by Messrs. Frick and Gary, to which reference is made in this letter, I was absent from Washington, but after the letter had been written and before it reached me I had a brief conversation with the President in which I was informed, in substance, of the facts stated more in detail in the letter itself. In this conversation I advised the President that, so far as the Department of Justice was informed, no reason existed to believe that the United States Steel Corporation or its officers, directors, or stockholders were subject to prosecution or civil action under the Sherman antitrust law, and that, supposing such to be the fact, the information conveyed to him by Messrs. Frick and Gary did not materially alter the existing situation.

Were you familiar with that letter?

Mr. GARY. No; I was not. That is from the Attorney General to the President?

Mr. LITTLETON. I am wrong about that. It is a quotation by the Attorney General from another letter of his which was written to the President, and this is contained in a letter to the chairman of the Judiciary Committee of the United States Senate.

Mr. GARY. I never had any knowledge or information.

Mr. LITTLETON. He says:

I added the statement in substance that, in my opinion, based upon certain decisions of the Supreme Court, and especially the Knight case (156 U. S., 1), the transaction said by Messrs. Gary and Frick to be in contemplation would not in itself constitute an offense against the said law or furnish grounds for action by the Government to enjoin its consummation; but if this transaction had been preceded or should be followed by a series of others of like nature a materially different situation would be presented and the case would become, in some measure, analogous to those of the Standard Oil Co. and the Tobacco Trust and other combinations of the like nature. In the same conversation the President asked my opinion as to the legal correctness of the attitude he (the President) had assumed in his conversation with the gentlemen in question, that attitude being, in substance, that while he had no right to advise them to take the course they proposed or make any suggesion to them in the premises, he was not called upon to interpose any objection, and I replied that, in my opinion, such course by the President was strictly appropriate under the law.

Judge Gary, if you have had time enough to consider it, do you understand him to mean if it had been preceded by a similar transaction or followed by a similar transaction?

Mr. LINDABURY. Once again, apologizing for making an objection, might I suggest that Judge Gary's interpretation of Mr. Bonaparte's letter to the President would hardly be proper?

Mr. LITTLETON. We have such abundant power to overrule the objection that I will withdraw the question.

Mr. GARY. I do not think I quite finished the statement in regard to the examination of the purchase of these securities, although I have nearly done so.

I returned to New York, and we entered an agreement for the purchase of the stock, or the properties through the stock, in the meantime having made as careful and full an examination as we could in regard to the properties, such examination having commenced almost from the very beginning of the negotiations or the request to purchase.

I remember that Mr. Gates says in his testimony that he insisted that the board of directors pass a resolution that the minority stockholders should have the right to turn in their stock at the same price. He may have insisted upon that. I have no recollection of his having done so. If he did, it would seem to me as rather forcing us to buy stock instead of forcing them to sell stock, but, be that as it may, the original memorandum of agreement provided that we would take the minority stock at the same price. That agreement was consummated before Mr. Gates returned from abroad—before he landed in this country—and so I am inclined to think that he is mistaken about that, so far as I am concerned.

I would like at the proper time, and as you may desire, to state to you some of the values of these properties and the conditions of this company.

Mr. LITTLETON. I had just written a memorandum to ask you to give, if you could, the condition of the Tennessee Coal & Iron Co., which you said, in some part of your testimony, you thought might have failed in a certain period of time.

Mr. GARY. At the time the Tennessee Co. was acquired by the United States Steel Corporation it had outstanding notes for borrowed money, then past due, $300,000; notes for borrowed money, maturing at early dates, $1,334,000; accounts payable, a large part of which were past due, $1,370,000; accrued pay rolls, $497,000; accrued interest and taxes, $666,000; or a total of $4,167,000.

Mr. YOUNG. That was all due?

Mr. GARY. Substantially what was due, between $1,000,000 and $2,000,000 past due, over $2,000,000. I have given the exact figures.

Immediately following the acquirement of a majority of the stock by the United States Steel Corporation the Steel Corporation was called upon to advance cash to the Tennessee Co. to meet the pressing demands of its creditors, and advances were made as follows during the months of November and December, 1907, and January, 1908: November 14 to 30, $1,100,000; December 9 to 31, $850,000; January 2 to 29, $850,000, or a total of $2,800,000.

During the succeeding three months an additional $2,118,000 was advanced.

During the three years and two months from November 1, 1907, to January 1, 1911, the period during which the United States Steel Corporation has controlled the Tennessee Co., that company has earned a net for its common stock of $4,068,753, equal to an average of 4 per cent per annum on its common stock and 3.4 per cent on the Steel Corporation's investment in the stock. On this entire investment as represented by these bonds and capital obligations and stock its net during the above period shows an average annual earning of 4½ per cent.

Prior to the purchase by the United States Steel Corporation the net return which the company earned on its investment during the three years next preceding that equaled an average of 4.8 per cent, and this in the face of the fact that during the last seven years upward of $23,000,000 of additional capital has been put into the property to develop and expand it. Of this total approximately one-half has been put in since the United States Steel Corporation acquired control.

Mr. LITTLETON. One-half of $23,000,000?

Mr. GARY. Yes, sir.

The principal product of finished steel of the Tennessee Coal & Iron Co. was rails. It has been stated here by somebody that the Tennessee Coal & Iron Co. was a competitor of the United States Steel Corporation interests, and by others that it was the principal competitor.

The price at which rails were sold by the Tennessee Coal & Iron Co. during the year 1907 averaged $28.76 per ton. The cost was $29.48 per ton.

Mr. LITTLETON. During what period?

Mr. GARY. For the year 1907. In other words, at that time and up to that time the cost of production of rails was more than the selling price.

Mr. LITTLETON. Was that true of 1906, 1905, and 1904?

Mr. GARY. I think it was true up to that time on the average. I think rails was the only thing they compete with us in.

Now, they did make some money in the manufacture of iron and in the manufacture and sale of some finished steel billets; not very much, as shown by the net returns.

Mr. LITTLETON. Have you before you, so you can submit it to the committee, the same detailed statement regarding the other products of the Tennessee Iron & Coal Co.?

Mr. GARY. Yes, sir; I will do that now.

Its selling price of billets was $33.27, and the cost $24.67, but they only sold 2,496 tons. We did not sell any.

Mr. LITTLETON. In 1907?

Mr. GARY. Yes, sir.

Bars, they sold seventeen thousand odd tons; the selling price was $37.97, and the cost $36.42. Of plates they sold about 15,000 tons, the selling price was $40.08 on the average, and the cost $38.13. Pig iron, their largest production, the selling price was $16.49, and the cost $11.02. That was a boom year for the price of pig iron.

In 1907 the United States Steel Corporation interests produced 56.1 per cent of the total and the Tennessee Coal & Iron Co. 1 per cent of the total. Of rails, the United States Steel Corporation interests produced 48.1 per cent and the Tennessee Coal & Iron Co. 4.1 per cent. That shows on the average of those products that the Tennessee Coal & Iron Co. at that time produced about 2 per cent of the total production of the country, whereas the United States Steel Corporation interests produced about 56 per cent. At the time the United States Steel Corporation was formed it produced about 60 per cent of the total, a little over 60 per cent. My representation to the President was that the acquisition of this steel-producing capacity would not raise our percentage above 60 per cent, about the amount of the percentage at the time the United States Steel Corporation was formed.

Mr. YOUNG. What is the source of these figures which you have been reading? Where do they come from?

Mr. GARY. Largely from Mr. Swank, who is the president of the American Association, whatever it is called, and whose books, writings, and figures have been received by everyone as accurate and reliable for a great many years and concerning which there is not and never has been any doubt whatever.

Mr. LITTLETON. I suppose similar figures for the previous years could be furnished?

Mr. GARY. Yes, sir.

Mr. LITTLETON. The same as these?

Mr. GARY. Yes, sir. I presume, without looking it up, that this is about their largest production.

Mr. YOUNG. Could you give the cost for the previous years?

Mr. GARY. I presume so. I have no doubt this was their best year, because it was a boom year, and there was every reason why the cost should be the lowest at that time. We will endeavor to get those figures, and I believe we can.

Mr. YOUNG. Where did you get the cost?

Mr. GARY. From their books which came into our possession. We knew we bought that property, as I said to Mr. Ledyard and Mr. Topping, the president of the company, before we closed, that this was a bad proposition, that we could not think of buying this stock at the price named or anything like it on the merits, and that if we were going to invest that money we could invest it at any of our locations or mills with the certainty of very much larger profit. I expressly called attention to the fact that they were making rails at a loss.

A good deal has been said abut their making open-hearth rails, and it was suggested here by another gentleman—I mention names, perhaps, more than I ought to—that we wanted to get possession of this company because they were making open-hearth rails and that we could not make those rails, and they were coming into use, and Mr.

Harriman had put, I think he said, 150,000 tons under contract. I believe some one said before the other committee, the Judiciary Committee of the Senate, that there was a contract for 50,000 tons. I am sorry to say that there was a contract made, and we, having succeeded to the rights and obligations of the Tennessee Coal & Iron Co., had a great deal of difficulty in making good the defective rails which were furnished under the old régime. We improved and changed the practice very materially at the mills. We were making open-hearth rails at another place at that time. It was a question then and is a question still whether open-hearth rails are better than the Bessemer rails. It depends upon circumstances, it depends upon the quality of the ore, and upon the practice in manufacture. Of course, if there is nothing but high phosphorus ore, there must be some way of eliminating that pigh phosphorus, and that is done in the open-hearth plant. We were building this plant at Gary, this rail mill which has since been completed and which is the finest rail mill, perhaps, in the world. The steel there is all open-hearth steel and the capacity is very large. A part of our ores we have to utilize in the open-hearth furnaces, and other parts of our poorest Bessemer ores we utilize by the Bessemer process.

Now, the value of properties, as I have said, depends upon a great many things, including largely the locality of a plant; and it also depends, as I have said, upon the cost of assembling, upon the cost of manufacture, and the cost of delivery to the market. Taking the latter proposition first, there was and is a comparatively small market for the Tennessee Coal & Iron Co., and while there is a large body of inferior ore, yet there is no large market for steel or for iron, for that matter, and these ores can not be utilized for the present and probably not for a long time in the future, and while eventually these ores will have greater or less value more than now, at the present time it is cheaper to buy ores, very much cheaper to buy ores, in the Lake Superior region than to buy these Tennessee Coal & Iron ores at the price that we are supposed to pay for them.

You see, in the first place, the iron ore being so low in metallic contents it is very expensive to smelt that ore; it takes a great deal more ore to make a ton of iron and it costs a great deal more to eliminate that part of the ore which is not iron, and still it is true that because the ore and coal and stone are near each other we can manufacture pretty cheap iron of this kind of ore. Yet there is no market for it, and if we have to go beyond the immediate market and come into competition with iron which is made with the northern ores we could not afford to sell it.

Mr. LITTLETON. You state in the report of your company for 1907:

In November, 1907, the corporation acquired a majority of the common stock of the Tennessee Coal, Iron & Railroad Co., as is set forth in detail on page 25 of this report. The purchase was made during the financial panic of October, 1907. The parties owning or controlling a majority of the Tennessee Co.'s stock offered the same to the corporation on terms which were satisfactory, both as to price and manner of payment. The purchase of the property promises benefit to the Corporation and also aided promptly and materially in relieving the financial stress at the time existing. The Tennessee property is very valuable. Its mineral resources are large. The location of the iron ore and coal deposits in the immediate proximity of the manufacturing plants enables the production of iron at reasonable cost. It is believed the lines of business of the Tennessee Co. can be materially extended. During the last two years about $6,250,000 were expended in rehabilitating, modernizing, and enlarging the furnaces and steel plant. Additional expenditures of considerable magni-

tude in 1908 are contemplated to complete the plans for improvements, which were under way when the corporation acquired the property. It is believed that when these improvements and extensions shall have been completed and the operating management perfected the business of the company will be profitable.

You still adhere to that statement?

Mr. GARY. That is a true statement the chairman made to the board of directors, as favorable as I could honestly make it—a statement made with the experience up to that time. I do not know that I would materially modify that now, although I have not quite as good an opinion as I probably then had. I still believe, however, that in time we will make that property valuable and we will come out whole. We never can possibly come out with the same degree of success that we would have if we had invested the same amount of money elsewhere, nor anything like it, but still it will be in time—with our additional investments and with our organization and management—valuable, and I believe we will make it pay a fair interest, not a large interest, but a fair interest on our investment; nothing more.

Mr. LITTLETON. In your report it is given as $50,000,000 value?

Mr. GARY. $33,000,000 or $34,000,000 stock and $14,000,000 or $15,000,000 bonds.

Mr. LITTLETON. I will make this clear. You state in your testimony, which has been already called attention to in speaking of the article by Frank A. Munsey:

This is the result of an independent examination by Mr. Munsey concerning the value of our properties. He gives the properties in detail and his valuation, and, if anything, I would say that it is a little too high, but it is not very much too high, and certainly properties could not be reproduced for anything like that; in fact, it would be impossible to reproduce them at any price, perhaps, some of them.

Mr. GARY. Then he puts in the valuation on the Tennessee Coal & Iron Co. that he thinks. I did not intend to——

Mr. LITTLETON (interposing). I want to give you an opportunity to correct that, if wrong.

Frank A. Munsey, in an article in Munsey's Magazine for June, 1908, who stated that the inventory was compiled through the courtesy and with the assistance of the Steel Corporation, said:

The Tennessee Coal & Iron Co. is entered as a separate item in this inventory. Its ore and coal and mills and furnaces and other properties are not included in the other classifications. This company is put in at an estimated value of $50,000,000, which is somewhat more than the Steel Corporation paid for it, but probably a much smaller sum than it is worth to the Steel Corporation. Its chief value lies in its coal and ore properties. Its ore is estimated at 700,000,000 tons. It is not as high-grade ore as the northern ore, but assuming that it is worth 15 cents per ton, it alone would amount to $105,000,000.

We are now getting up where it is dizzy.

Its coal is estimated at about 1,000,000,000 tons which, at 10 cents a ton, would be $100,000,000. From the fact that the known supply of ore in the country is limited, it may be worth two or three times this price. There is no way of telling just what it is worth. But as a guide to the value of ores, we may take the price fixed upon for the Great Northern ores between James J. Hill and the Steel Corporation. The Great Northern Railroad and the Northern Pacific had vast holdings of iron ore in the Mesba range, and after many months of negotiations the Steel Corporation entered into a contract a year ago to take all this ore at a certain price per ton, the price to be advanced each year over the preceding year 3.4 cents. The first year's price,

which covered the year 1907, was 85 cents a ton. This year it is 88.4 cents a ton. On this basis the price will soon be over a dollar a ton, and the average cost for the entire supply will be considerably in excess of that figure. And this ore is supposed to be of a lower grade, as a whole, than the ore owned by the United States Steel Corporation which in this inventory has been conservatively—ultraconservatively—figured at 60 cents a ton. If the Hill ore is worth over a dollar a ton, the ore of the Steel Corporation is worth quite as much, and even more, as it is of a better grade. And these prices of this Northern Pacific ore have an important bearing on the ore properties of the Tennessee Coal & Iron Co. I should think that Mr. Charles M. Schawb is as good an authority as there is in the world on the value of iron ore. He said to me two or three days ago that the ore holdings of the Steel Crporation were easily worth a dollar a ton and, in fact, might safely and conservatively be regarded as worth still more, for the reason that they can not be duplicated.

Mr. GARY. That shows you how easy it is to get rich on paper. I never intended to indorse nor did indorse that statement. I did not refer to the Tennessee properties at all. I referred to his figures, which, as I remember, placed the value of our properties, exclusive of the Tennessee Coal & Iron Co., at considerably more than the total capitalization of the company. I do not remember the figures, although I thought in some respects his figures were a little high, as I believe I said.

In my opinion, and without any doubt on my part, we paid a good, big price for the Tennessee Coal & Iron properties. We would not have considered the purchase of those properties at anything like the price which was paid except for the financial conditions which obtained at that time.

The chairman asked me a question which I think I would like to answer, and I believe it is pertinent. He asked me if we would be willing to part with these properties at the present time for what they have cost us up to date. In the first place I have no idea that we could secure any such offer from anybody. That is my opinion. I do not know. But if that question came up I think the first thing to consider on our part would be whether we could dispose of those properties in justice to other people who were interested in the success of this company. We have assumed certain obligations there. We have invested a large sum of money. We are now increasing our expenditures at that point, with the hope of realizing some fair percentage on our total investment. We have increased the number of employees very materially. We have represented in one way or another to the citizens of the locality that it is our intention to improve and extend this plant and make it successful. Large numbers of people have invested in real estate and improvements of various kinds in the locality on the strength of our having taken over this property and made these extensions, and I do not think we have a right to consider the question which you ask regardless of the obligations which we have morally assumed in that respect. You may say that that is not very good business, but it is about the way we act, and I believe it is good business. In other words, I do not think you can for permanent success very far separate legal and moral obligations. I firmly believe in that. You may for a day or a year, but for permanent success in the management of a large corporation, certainly, I believe a company should all the time consider moral obligations as well as legal obligations.

The CHAIRMAN. This property, as I understand this, Judge Gary, has been benevolently assimilated?

Mr. GARY. No; I do not say that. I believe that at the time we made this purchase if we had reached the conclusion that we never could get out whole we would have doubted our right as the managers of the corporation and as representing the stockholders to make the purchase. We did hope and rather expected that by the expenditure of large sums of money we would eventually get out whole, and it is not at all certain that we will not some time get out a good deal more than whole. I do not know that we will not, and I certainly hope we will.

Mr. BARTLETT. At the time you bought the property, in 1907, under the circumstances and conditions you say you did, and so forth, you knew then that it would take you some time to get out whole, paying the price you did, did you not? And you expected that?

Mr. GARY. Yes; we expected it.

The CHAIRMAN. As I understand, the property at this time is not for sale?

Mr. GARY. I think I answered that question fully. We would want to consider that seriously.

The CHAIRMAN. I want to assure you that I have no personal interest in asking the question.

Mr. GARY. You have no purchaser, I understand.

The CHAIRMAN. If you had offered to sell it at that price, I would not have taken it off your hands.

Mr. LITTLETON. Let me ask you my last question on this hearing. I want to ask if you have in mind any valuation per ton of this ore which is said to be between five hundred and seven hundred million tons?

Mr. GARY. No, sir.

Mr. LITTLETON. Is there anybody that has?

Mr. GARY. Nobody. I know of nobody who could have a good opinion on that. It depends so much on when the ore can be used. You might carry it to a point which would make the use—the ownership and use—of this ore almost prohibitive.

Mr. LITTLETON. When you capitalize, for instance, a company like the one owning the Mesabi mine—this is distinctly for information—do you not make a part of your capitalization a sort of a geological guess, anyhow, as to how much ore there is in the earth, and then put some value on it?

Mr. GARY. We can do that in the northern district. We can not do it here. You see we are taking out now, in round numbers, 25,000,000 tons from the northern district, and we know what that market is, and we know it is improving very fast. The western and northwestern market is increasing very rapidly.

Mr. LITTLETON. Can you estimate the ore tonnage, or the value of a ton of ore, or the numbers of tons of ore in the northern regions?

Mr. GARY. I think we can make an approximate estimate.

Mr. LITTLETON. Would you risk the chance of putting any value on the tonnage of this Tennessee Coal & Iron Co.?

Mr. GARY. No. No; I would not. I would not. There is a great deal down there, you know, that we have not got to. As I said, I believe there are thousands of acres of this ore which can be bought at the present time at a very small price per acre.

Mr. BARTLETT. But, Judge Gary, you did. You have in your testimony given an estimate of the number of tons.

Mr. GARY. Tons? I have not been asked for the tons. That was Mr. Littleton's question.

Mr. LITTLETON. The value of the tons.

Mr. GARY. The value; yes. I have made an estimate of the number of tons, but I can not tell how much of it is usable. I would not be at all surprised if we have six or seven hundred million tons of ore of all kinds; but they have always taken off the top of the ore and left the bottom of it, and are still doing it. How much of the ore is usable at the present time I can not say, but I believe not more than 200,000,000 tons—but it would take a good while to use that.

Mr. YOUNG. Judge Gary, before we close, there was one matter which, perhaps, is obvious enough, but it has been referred to in former testimony, and I do not think it has been cleared up in words. In the purchase of the Tennessee Coal & Iron Co. you merely exchanged securities of the United States Steel Co. for the securities of the Tennessee Coal & Iron Co., and it has not been explained directly in words why this mere exchange of securities relieved the situation in New York; and as that was the subject of criticism in some former testimony, I would like to call your attention to it.

Mr. GARY. For two reasons: First, the bonds which we exchanged were salable in the market, and as a matter of fact these gentlemen who acquired bonds, including, as I believe, many members of this syndicate, did actually sell their bonds on the market and let all the minority stock come in. They were under no obligations to turn in their stock, but they were only too glad to turn in their stock and get bonds. In the next place these bonds were available as collateral security for loans at the bank, and many of them were so used. Any bank would receive them, so they were just as good as cash.

Mr. YOUNG. Were the securities of the Tennessee Coal & Iron Co. salable, and could they be used with the same facility as security?

Mr. GARY. They were not. They were not salable and they were not good collateral security; and Mr. Schley states, I am sure, in his testimony before the committee of the Senate, that the banks were insisting that he take them up, and that they were thrown out all the time, and were being thrown out, and something had to be done—and that was the fact. I feel very certain that if that stock had been put on the market we could have purchased it at almost any price—certainly way below 65; and I am equally certain that if we had not made this purchase the Tennessee Coal & Iron Co. would have been in bankruptcy within a very short time. The subscribers of the new stock which had been issued had been called upon for payments which they were making on the stock and which had not been paid up, and we had to pay up many of those after we purchased the stock—that is, pay it into the treasury.

Mr. LITTLETON. It is very evident that we can not conclude entirely with the contribution you can make to the hearing to-day, and I shall not pursue the examination further at this time.

Mr. LINDABURY. You will wish Judge Gary to come back Wednesday?

Mr. LITTLETON. Yes.

Mr. GARY. Was it proposed to adjourn until Wednesday?

The CHAIRMAN. Yes.

(The committee thereupon adjourned until Wednesday, June 7, 1911, at 10.30 o'clock a. m.)

No. 4

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WEDNESDAY, JUNE 7, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE
INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Wednesday, June 7, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its sessions.

STATEMENT OF MR. ELBERT H. GARY—Continued.

The CHAIRMAN. Judge Gary, I saw in the Wall Street Journal of June 6, 1911, and also in the papers published in Washington yesterday a statement that—

After negotiations lasting several years, the United States Steel Corporation has bought 17,000 acres of coal lands from the Pittsburg Coal Co., and the Monongahela River Consolidated Coal & Coke Co., a subsidiary. The purchase price was about $18,000,000. The property bought from the Monongahela Co. comprised about 10,000 acres of undeveloped property which will probably be taken over by the Carnegie Steel Co., while the H. C. Frick Coke Co. will take the other lands which are situated in the Connellsville district. The growing scarcity of good coal lands in the Pittsburg district is given as the reason for the purchase.

The sale will reduce the mortgage indebtedness of the Pittsburg Coal Co. to $10,000,000, as it will permit the liquidation of about $9,500,000 Pittsburg Coal Co. bonds at the quoted price of 110 and interest. The company will save $500,000 annually in interest charges, at the same time putting 5 cents on each ton of coal mined into the sinking fund, so that it should be rid of its bonded debt in about 9 years, etc.

E. H. Gary, chairman of the United States Steel Corporation, confirms the purchase of coal lands from the Pittsburg Coal Co. and the Monongahela River Consolidated Coal & Coke Co. Regarding the purchase, Chairman Gary said:

"We have agreed to purchase about 17,000 acres of coking coal on about 35 years' time of payment, at 5 per cent. The papers have not yet been signed."

Is that a correct statement?

Mr. GARY. The statement purporting to have been made by me was made by me. I do not know that I could indorse all of the article you have read. We have not been negotiating for this property a great many years. It is true the Pittsburg Coal Co. has, from time to time, offered us parcels of property, and people connected with the company have at different times, through various channels, offered us the whole property. We have never given serious consideration to the purchase of the whole property. During the last few months representatives of the Pittsburg Coal Co. have offered us various parcels of land, and finally, on the recommendation of our local representative, and after a good deal of consideration with reference to our necessities in that district, we have purchased about 17,000 acres of coking coal. We are short of coking

coal in that district. We feel that we need this particular coal. We have not signed the papers, but have agreed to the purchase.

The CHAIRMAN. How many thousand acres of coking coal are there in that region?

Mr. GARY. It would be very difficult to answer that question.

The CHAIRMAN. Approximately about 60,000 acres, are there not?

Mr. GARY. In the whole district?

The CHAIRMAN. Yes, sir.

Mr. GARY. If you refer to the Connellsville district, I should think at the present time there may be about 75,000 or 80,000 acres of Connellsville coal, so called.

The CHAIRMAN. I beg pardon. The United States Steel Corporation has about 60,000 acres there now?

Mr. GARY. Of the Connellsville coal?

The CHAIRMAN. The coal in that region, around Pittsburg.

Mr. GARY. Yes, sir; but having Connellsville coal and having coal in that region are two different propositions. The Connellsville coal, strictly speaking, is a comparatively small acreage. It is a part, however, of what is called the Pittsburg vein. The coal in that particular locality is the best part of the Pittsburg vein, that is, in some respects at least. It is considered to be rather better than the average. In the Pittsburg vein there is a very large acreage, a very large quantity of coal. I do not know how many thousands or hundreds of thousands of acres or how much in quantity there is, but certainly a very large quantity. Of course, the particular locality of the coal with reference to its distance from the furnaces adds very materially to its value. This coal which we have purchased is not far away from our furnaces, and its cost of transportation would not be as large as much of the coal in the Pittsburg vein.

The CHAIRMAN. How much of the Connellsville coal have you? That is the best coking coal in the world.

Mr. GARY. I think we have left in the neighborhood of 40,000 acres.

The CHAIRMAN. That is practically all the Connellsville coal that is left?

Mr. GARY. No, sir; a good deal less than——

The CHAIRMAN. How much?

Mr. GARY. I can not answer that question except in the way I have, in a general way. It is the largest part of what is strictly Connellsville coal, as originally classified. As a matter of fact, Connellsville coal now is very much larger in area than it was supposed to be some years ago.

The CHAIRMAN. There is one county which has a good deal that is not reached by railroad?

Mr. GARY. I think there is a good deal not reached by railroad.

The CHAIRMAN. Of the best coking coal, either Connellsville or that like it in carbon and other qualities that make a superior coking coal, you have about 53,000 acres?

Mr. GARY. I think we have not of what was originally called Connellsville coal, but what we now call Connellsville coal; yes, sir.

The CHAIRMAN. There is left of coal of that character now for outside control or ownership by the United States Steel Corporation about 45,000 acres?

Mr. GARY. That may be so. I certainly could not dispute that.

The CHAIRMAN. And if this deal is consummated you will have 70,000 acres, leaving 28,000 acres?

Mr. GARY. These 17,000 acres were not in the Connellsville district.

The CHAIRMAN. Is that the same character of coal?

Mr. GARY. More or less; it is good coking coal. I have no doubt that there are millions and hundreds of millions of acres of good coking coal in the United States that has never yet been even tested. We have other coking-coal holdings as others have. We have under lease a large acreage in the Pocahontas field in West Virginia.

The CHAIRMAN. Fifty thousand acres under some understanding with the Pocahontas Co.?

Mr. GARY. I would hardly characterize it as an understanding, a 10-cent royalty lease. There is an immense quantity outside of our lease. Then we have shown to a demonstration that we can coke Illinois coal, and we are using quite a substantial percentage of that in mixture. We have there, I think, 40,000 or 50,000 acres, and there are hundreds of thousands of acres that will all come in under the new process of making coke.

The CHAIRMAN What percentage of the Pocahontas coal or similar coal do you have to use in connection with the coal from the southern field of Illinois?

Mr. GARY. That is still problematical. We are using at present, I think, about 20 or 25 per cent of the Illinois coal mixed with the Connellsville coal, but we have made coke with a very much larger percentage of Illinois coal, and I think that we shall be able within the next year or two years to make coke from the Illinois coal alone, and if so, as you see, we have an immense body of it.

The CHAIRMAN. Is there a coal company in that region called the Hostetter Coal Co.?

Mr. GARY. The Hostetter-Connellsville Coal Co., whatever the technical name may be.

The CHAIRMAN. What was its acreage, approximately?

Mr. GARY. I could not answer that offhand; I am not quite sure. Our reports give the exact figures.

The CHAIRMAN. Have you any idea?

Mr. GARY. I have not, from recollection; I can not state.

The CHAIRMAN. How long after the assimilation of the Tennessee Coal & Iron Co. was it that you absorbed the Hostetter Co.?

Mr. GARY. We have never absorbed it. We purchased an interest in it, and I have forgotten just what it was. But I am sure the facts have been published.

The CHAIRMAN. Is that a controlling interest?

Mr. GARY. I think it is; I am not sure.

The CHAIRMAN. How long after the Tennessee Coal & Iron deal was it that you acquired the controlling interest in the Hostetter Co.?

Mr. GARY. I can not say, but that has been published.

The CHAIRMAN. It was a short time afterwards?

Mr. GARY. I can not answer that. The H. C. Frick Coke Co. owned, I think, at least one-half interest in the Hostetter Co. long before the United States Steel Corporation was formed. Since that time we have added to our percentage. I have forgotten the date or the amount; but, as I say, the figures have been published.

The CHAIRMAN. George L. Whitney, now of New York, of the firm of Whitney, Stephenson & Co., owned the control of the Hostetter Coke Co. prior to its absorption, did he not?

Mr. GARY. I do not think he owned the control; he had an interest.

The CHAIRMAN. Prior to the panic, do you know what the stock of the company was selling at?

Mr. GARY. No, sir; I do not know. I doubt if there was much stock on the market.

The CHAIRMAN. I do not think the stocks were quoted, but they would bring about $1,000, approximately?

Mr. GARY. I do not know; I have no idea. Mr. Whitney, you will perhaps remember, commenced some suit with reference to that, and I believe the merits were determined by the court and all the facts were disclosed in that suit.

The CHAIRMAN. Unfortunately, Judge, I can not testify to those facts, and that is the reason I am asking these questions.

Mr. GARY. I am not trying to evade your questions.

The CHAIRMAN. I know you are not. I am asking a great many questions that are matters of common notoriety, but it is hard to tell things from any newspaper or magazine, and in order to get at the facts from an authoritative source I have to ask you about a good many things that are of common knowledge.

Mr. GARY. When I know the facts, I will try to give them to you, and when I do not, I will try to show you where to get them.

The CHAIRMAN. I appreciate your goodness in that respect.

In the panic of 1907 Mr. Whitney became embarrassed and he borrowed quite a lot of money for the development of this concern and put up his collateral with the Union Trust Co., in which Mr. H C Frick and Mr. Mellen were deeply interested. During this panic there was a call of his loan, was there not, and the price of his stock went down from $1,000 to $200, the controlling interest in it was obtained by Messrs. Frick and Mellen and transferred by them to the United States Steel Corporation? Is that correct?

Mr. GARY. I should think that that was a very exaggerated and misleading statement. I think the merits of the claim of Mr. Whitney were settled in court; that is my impression.

The CHAIRMAN. That is the claim. I am only quoting sworn statements, but I am not vouching for them myself.

Mr. GARY. It is easy to find what the court found to be the fact.

The CHAIRMAN. But there is only one tribunal before which we will appear that can not err.

Mr. GARY. As a lawyer, you can not take that position. I hope the chairman will not insist that the final decision of a court is not conclusive?

The CHAIRMAN. Never. I did not mean to criticise the courts in these matters. I am just as willing to take the statement of the distinguished witness upon the stand as the dictum of a judge.

Mr. LINDABURY. The witness on the stand was not a participant and has only hearsay information.

Mr. GARY. You spoke about Mr. Frick and Mr. Mellen having some connection with that. I think Mr. Frick has some interest in the Mellen bank; I am not sure.

The CHAIRMAN. Is it a fact that prior to the time that this Hostetter Coke & Coal Co. found itself involved and its loans called that it was the principal competitor of the H. C. Frick Coke & Coal Co.?

Mr. GARY. I think you are mistaken in supposing that. I think Mr. Whitney was indebted and had deposited some of his stock as collateral security for the payment of the loan. We had a very large interest, I think, at least 50 per cent, although I am not sure.

The CHAIRMAN. I will be pleased to have you examine the record and give me the title of the case.

Mr. GARY. No; I can not, but I will endeavor to get it for you.

The CHAIRMAN. Put it in the record.

Mr. GARY. I will endeavor to get the title of the case and give you a certified copy of that decree, which I understand, was in favor of the purchase.

The CHAIRMAN. I prefer to get the whole record.

Mr. GARY. Very well.

The CHAIRMAN. Now, Judge Gary, this Pittsburg Coal & Coke Co. has outstanding, I believe, bonds, and $32,000,000 of preferred stock and $32,000,000 of common stock, has it not?

Mr. GARY. I can not answer that question.

The CHAIRMAN. The Pittsburg Coal & Coke Co. has leased, I believe, to the United States Steel Corporation for a period of 25 years, has entered into a contract to furnish coke and coal to the United States Steel Corporation?

Mr. GARY. No; that question can not be answered in the affirmative, I am sure; I do not remember exactly what the conditions are, but there is a written lease between the Pittsburg Coal Co. and the United States Steel Corporation, I think, or some of its subsidiary companies, whereby the lessee agrees to purchase or the United States Steel Corporation or its subsidiary companies agree to purchase and the Pittsburg Coal Co. to sell, certian quantities of steam coal only for a certain term at a certain price. That lease will speak for itself and we will be glad to furnish you with a copy.

The CHAIRMAN. Is it not a fact that this Pittsburg Coal & Coke Co. has made a contract by which it is now furnishing its output under this contract to the United States Steel Corporation at about 20 cents less than it cost to mine?

Mr. GARY. Less than it cost the seller to mine it?

The CHAIRMAN. Yes, sir.

Mr. GARY. I can not answer that question.

The CHAIRMAN. And that Mr. Thompson and others connected with the concern have been publicly and bitterly complaining of the fact that the stocks have been reduced in value and that the company is being operated at a loss for the reason that the majority stockholders are more vitally interested in the United States Steel Corporation than in the company?

Mr. GARY. I have not heard of that before.

The CHAIRMAN. Do you know whether that is true?

Mr. GARY. I believe the rumor from what I have seen in the papers that the Pittsburg company pays interest on its bonds and pays dividends. This contract was made after long negotiations between the parties, and I have never heard that there was any dissatisfaction on the part of the company.

The CHAIRMAN. I have been so advised, and I simply asked you.

Mr. GARY. I think we can mine coal at a less price than the purchase price under our contract.

The CHAIRMAN. Now, the Pittsburg Coal & Coke Co. ships by rail?

Mr. GARY. The Pittsburg Coal & Coke Co.?

The CHAIRMAN. Yes, sir; the exit from its mines is by rail?

Mr. GARY. I am inclined to think that is so as to the Pittsburg Coal & Coke Co. property. It has large interests in the Monongahela River Coal Co., and the outlet of that company is on the river.

The CHAIRMAN. And the Pittsburg Coal & Coke Co. has acquired, has it not, 300,000 shares of the common stock and 50,000 shares of the preferred stock out of a total capitalization of 600,000 shares?

Mr. GARY. I can not answer that question. You will find all that information in the report of the coal company.

The CHAIRMAN. Speaking roughly, the Pittsburg Coal & Coke Co., in which Mr. Frick, I believe, and Mr. Mellen own a controlling interest, has secured a bare majority of the stock of the Monongahela River Co.?

Mr. GARY. I have never heard before that Mr. Frick and Mr. Mellen had a controlling interest in the company. I never heard before that Mr. Frick had any interest in the stock of that company.

The CHAIRMAN. I may be mistaken.

Mr. GARY. I do not know. I certainly never heard before that they had a controlling interest in it.

The CHAIRMAN. It may not be.

Mr. GARY. I think you are mistaken in the assumption.

The CHAIRMAN. I am asking for information. I am trying to ascertain the truth.

Is it not a fact that the Monongahela Coal & Coke Co. ships by river?

Mr. GARY. Certainly, a portion of its output, and I would not be surprised if all of it were shipped that way. I am not certain about that.

The CHAIRMAN. The Monongahela River has been locked and dammed, and now they are preparing to lock and dam the Ohio River to a 9-foot stage from Pittsburg to Cairo in order, among other things, to enable these enormous shipments of coal from the Monongahela Coal Co. to reach the sea and to reach persons living along the Ohio River?

Mr. GARY. I do not know.

The CHAIRMAN. I will ask you if the shipments of this company alone, the Monongahela Co., have not been greater than all the foreign trade that originates on the Atlantic seaboard?

Mr. GARY. I do not know about the subject matter of your question. I have supposed that the business of the Monongahela Coal Co. toward the sea was very rapidly decreasing and that it was not very important.

The CHAIRMAN. I mean boats like the *Sprague*, these great tows that go down the Ohio River. Not long ago, I think, there was a tow, as we call it, of 13 acres in size, in area, in extent of coal. This coal does not go to the sea; it is considered an outlet to the sea, but it supplies Cincinnati, Louisville, St. Louis, Paducah, and cities along the 7,000 miles of navigable stream which the Government has constructed and which will soon be completed and the navigable

waters radiating to the north and south of the Ohio River aggregating nearly 8,000 miles of navigable water. This coal goes to all of that region by means of barges?

Mr. GARY. I do not know anything about that, Mr. Chairman. I doubt if that company is increasing its business in the direction you have suggested. I might be mistaken. I believe it is decreasing.

The CHAIRMAN. If this controlling interest of the Pittsburg Coal & Coke Co. dominates the policy of the Monongahela River Coal Co., and they both go into the United States Steel Corporation, the shipments by river will be still further decreased?

Mr. GARY. There is no probability of either going into the United States Steel Corporation. Perhaps I can answer that by saying that we have no thought of acquiring either one of those companies.

The CHAIRMAN. Does not this deal of which you speak involve the purchase of both of these companies by the United States Steel Corporation?

Mr. GARY. That question, to my mind, is not clear.

The CHAIRMAN. You speak of the 17,000 acres——

Mr. GARY (interposing). Have you the report of the Pittsburg Coal Co. before you?

The CHAIRMAN. No, sir. I have just a memorandum. I am sorry that we have not that here.

Mr. GARY. You will find that the Pittsburg Coal Co. has enormous holdings of coal.

The CHAIRMAN. How much?

Mr. GARY. I can not say offhand, but I would not be surprised if they have hundreds of thousands of acres. We have no interest in that except under this contract for the purchase of a certain proportion of our steam coal, a contract which has 15 or 18 years yet to run. I think we may also acquire the Monongahela steam coal; I do not know, but we have no thought of acquiring control or any interest in either one of those companies.

The CHAIRMAN. I may be mistaken. The statement has been made by a Senator of the United States who is personally interested in this thing, that the Pittsburg Coal & Coke Co. is now under the control of the Monongahela River Co.—I mean the Monongahela River Co. is now under the control of the Pittsburg Co., and that there is now pending a proposition to exchange the securities of these two companies for the bonds of the United States Steel Corporation, and that the inevitable result would be that the Ohio River will cease to become the medium of the traffic by which this enormous tonnage of coal is transported in barges from its mouth to its source, and that this coal will be utilized by rail to supply the blast furnaces of your plant now being operated at Gary, the necessary percentage of your plant operated at Gary, instead of utilizing the coal in southern Illinois. Do you know of any such prospective arrangement?

Mr. GARY. The Senator is certainly laboring under an error. There is no foundation whatever for that statement.

Mr. GARDNER. I think the name of the Senator should be put in the record.

The CHAIRMAN. We will hold a little session afterwards.

Mr. GARY. I think that Senator Oliver has a small interest in the Pittsburg Coal Co., though I am not certain, and he could give you the facts in reference to the company.

The CHAIRMAN. I do not intend to reflect upon any Senator of the United States.

Mr. YOUNG. Why not name him?

The CHAIRMAN. I do not care to.

Mr. LINDABURY. Did the Senator give this information of his own knowledge or as a rumor?

The CHAIRMAN. Of his own knowledge.

Mr. LINDABURY. Then, I think, the United States Steel Corporation is entitled to know his name.

The CHAIRMAN. It will in due time.

(The statement of Mr. Gary at this point was temporarily suspended.)

STATEMENT OF MR. ROBERT C. HALL.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What is your full name?

Mr. HALL. Robert C. Hall.

The CHAIRMAN. Where do you live?

Mr. HALL. Pittsburg.

The CHAIRMAN. What is your business?

Mr. HALL. I am a stockbroker and am engaged in the real estate business.

The CHAIRMAN. What positions have you held in the city of Pittsburg?

Mr. HALL. I am a business man.

The CHAIRMAN. Have you ever been the president of the stock exchange?

Mr. HALL. Yes, sir; during 1907.

The CHAIRMAN. I will ask you to state to this committee what you know of the proposed deal of which I have been speaking; what you have heard?

Mr. HALL. In regard to the Pittsburg Coal Co.?

The CHAIRMAN. Yes, sir.

Mr. HALL. The Pittsburg Coal Co. to-day is known as a rail-shipping coal and operating company of the Pittsburg district. It has bonds of $25,000,000, preferred stock of $32,000,000, and common stock of $32,000,000. The Monongahela River Coal Co. is known as the river-shipping company, and it has bonds of $10,000,000, with reductions as made from the sinking fund, preferred stock of $10,000,000, and common stock of $20,000,000. In 1905 the Pittsburg Coal Co. purchased at $15 a share 300,000 shares of the common stock of the River Coal Co. and at $45 a share 50,000 shares of the preferred stock of the River Coal Co., making in all 350,000 shares out of 600,000 shares, and giving it absolute control of the policy of the River Coal Co. Since that time——

The CHAIRMAN (interposing). In that connection, has there been any contract made by the Pittsburg Coal Co. to furnish coal to the United States Steel Corporation?

Mr. HALL. It is stated in Moody's Manual——

Mr. LINDABURY (interposing). May I object to hearsay statements?

The CHAIRMAN. The objection is overruled.

Mr. LINDABURY. We do not object to any facts that the witness knows, but to mere hearsay information.

Mr. HALL. This is stated in the statement of the Pittsburg Co. and is verified in Moody's Manual. I will read from Moody's Manual, if you wish.

A 25-year contract is in existence between the United States Steel Corporation and the Pittsburg Coal Co., and from reliable authority I have been told that that contract is $1 a ton for thick and $1.07 for thin coal. President Taylor stated in New York at the meeting of the Pittsburg Coal Co., two months ago, that it cost the Pittsburg Coal Co. $1.02 a ton to mine its coal, 14 cents a ton dividends for the preferred stock and 10 cents a ton for the sinking fund requirements, $1.26, which shows to the stockholders of the Pittsburg Coal Co. an actual loss in the sale of its steam coal to the United States Steel Corporation, which, I understand, is about 200,000 acres. The Pittsburg Coal Co. owns 7,500 acres of coking coal under the name of the Colonial Coal Co., and the River Coal Co. owns about 8,000 acres of coking coal, which is undeveloped.

I am informed that those two blocks of coal are in process of sale to the United States Steel Corporation at $1,450 an acre for the 7,500 acres and $850 an acre for the 8,000 acres.

The CHAIRMAN. Who is your authority?

Mr. HALL. Senator Oliver.

Mr. GARY. That is correct.

Mr. HALL. That will be paid for by bonds to be issued on the coal sold to be guaranteed by the United States Steel Corporation. That enables the Pittsburg Coal Co. to put into effect a complete absorption of the river coal company to be accomplished by the issue of $6,000,000 5 per cent bonds of the Pittsburg Coal Co. in exchange for the $7,500,000 of preferred stock of the river company held by the public, and $5,000,000 of common stock of the Pittsburg Coal Co., to be exchanged for $5,000,000 of common stock of the river company yet held by the public.

The CHAIRMAN. Senator Oliver made a statement to you of the method of shipment of this coal?

Mr. HALL. It is well known that since the control of the river company by the Pittsburg Co. that the river shipments have been decreasing and the rail shipments are increasing, and there is no question in my mind, and I think in the mind of Senator Oliver, that it means the ultimate shipment of the coal controlled by the two companies by rail to the exclusion of the river shipments, to increase the rail shipments and decrease the river shipments.

The CHAIRMAN. What does Senator Oliver say about that?

Mr. HALL. He agreed with me.

Mr. GARY. You left out the main inquiry; that is, whether the United States Steel Corporation has had any idea of securing a control or interest in either of those companies?

Mr. HALL. That is utterly unnecessary, as the contract is better than ownership; they are getting it cheaper than the company can produce it profitably.

Mr. LITTLETON. What are the terms of the contract?

Mr. HALL. Judge Gary says that he will produce it.

Mr. GARY. I shall be very glad to produce it; I have given you the substance of it.

The CHAIRMAN. This [exhibiting] is Moody's Manual that you are speaking of?

Mr. HALL. Yes, sir.

Mr. BARTLETT. I find in Moody's Manual that in April, 1905, the Pittsburg Coal Co. made a 25-year contract to supply coal to the United States Steel Corporation, and later one with the Republic Iron & Steel Co. running until April, 1911. Is that what you have reference to?

Mr. HALL. That is a well-known fact in the Pittsburg district and is stated in the report of the Pittsburg Coal Co., and Judge Gary says that he will produce the contract.

Mr. GARDNER. Did you state to the chairman of the committee that Senator Oliver had made the statement that the United States Steel Corporation was trying to get hold of these properties?

Mr. HALL. No, sir. I stand on my statement as made as to the deal and the prices.

The CHAIRMAN. I will ask you as to whether it was a fact that the Pittsburg Co. and the Monongahela River Co., the two companies under a contract to furnish coal to the United States Steel Corporation at a loss, whether they were buying the 17,000 acres at this price, and what area it would leave for the rest of the independents in this coking field in and around the city of Pittsburg?

Mr. HALL. There are two distinct species of coal. The contract between these companies refers exclusively to steam coal, which is the bulk of the output of these companies, and is a very valuable asset of the companies. It puts them absolutely out of the coking business, as I understand it, leaving the coking business to the United States Steel Corporation, about 60 per cent, a little over 60 per cent, and a little less than 40 per cent in the hands of the scattered independents.

The CHAIRMAN. Do you know Mr. Whitney and of his connection with the Hostetter Coal Co.?

Mr. HALL. Yes, sir; he was a very large stockholder in the company for many years. He told me he had an income of $360,000 from his dividends in the company.

The CHAIRMAN. Where is he living now?

Mr. HALL. I saw him recently in New York.

The CHAIRMAN. What is his financial condition?

Mr. HALL. He was declared a bankrupt a year ago.

Mr. YOUNG. What is his name in full?

Mr. HALL. George I. Whitney.

Mr. GARY. I hope the United States Steel Corporation will not be charged with bringing Mr. Whitney to bankruptcy. I do not know anything about his business.

The CHAIRMAN. That remains to be seen.

Mr. GARY. The coal which we purchase of the Pittsburg Coal Co. under the contract referred to, and a copy of which we will produce, I think is a very small percentage of the total output of the Pittsburg Coal Co.

STATEMENT OF ELBERT H. GARY—Resumed.

Mr. YOUNG. Has that contract ever been attacked in the courts by any of the stockholders as having been fraudulent?

Mr. GARY. Not that I know of. I have never heard complaint from any stockholder.

Mr. YOUNG. Has there been any litigation in regard to it?

Mr. GARY. None whatever.

Mr. YOUNG. How long has it been in operation?

Mr. GARY. Six or seven years; six, I should think, at least. I have never heard of any complaint.

Mr. BARTLETT. Has it expired?

Mr. GARY. It has not. It was a 25-year contract, and I think it has run about six years.

Mr. GARDNER. What is the scope of this contract? I want to get it clearly in mind. Do these companies cease to operate their own companies or do you simply buy this coal or coke from the companies?

Mr. GARY. I will try to make it clear. We have no interest whatever in the Pittsburg Coal Co. or in the Monongahela River Coal Co. We have a great deal of coking coal, steam coal, of our own in various localities. As you know, the coal fields of this country are enormous. None of us has any conception of how much undeveloped coal there is in this country. The Pittsburg Coal Co. is the owner of several hundred thousand acres of coal. I think most of it is steam coal. Steam coal, as I understand it, is and has been its business.

About six years ago the Pittsburg Coal Co. offered to make a contract with us for a period of 25 years to furnish us steam coal at a certain price per ton.

Mr. YOUNG. Did it state the amount to be furnished?

Mr. GARY. No; but steam coal which we could use in certain districts. By reason of the fact that this coal was situated not far distant from our furnaces at Pittsburg we believed it advisable to buy that coal and utilize it. The Pittsburg Coal Co., having an enormous business, was very anxious to have our furnaces for customers for this small percentage of their business, and on this basis we made this contract. The Pittsburg Coal Co., as I understand, had a comparatively small acreage of coal which was fit for coking coal, and the river company, so called, also had a small acreage of coal which was usable for coking coal. The companies were not engaged in the coking business or in manufacturing coke to any great extent, if at all.

Mr. LITTLETON. You mean the Pittsburg Coal Co.?

Mr. GARY. I mean either the Pittsburg Coal Co. or the river coal company. And they were desirous of selling that coking coal to us for coking purposes. We have reached the conclusion within the comparatively recent past that we could utilize it for coking purposes, and as our supply of coking coal in that immediate district for use at our Pittsburg furnaces was too small altogether, we have arranged to finally purchase this coking coal, after negotiations lasting two or three or four months.

Mr. GARDNER. It is very obvious that there is a great deal of difference in the amount of influence you have with a company whether you are purely a customer of that company by buying its steam coal, or by buying its coke coal lands, or whatever you call it. In one case you acquire a great deal less influence than if you were operating that company's property. Now, what I want to know is, did your contract with that company give you the right of operating the company's property in any way?

Mr. GARY. Purely a customer, buying this coal from them.

Mr. GARDNER. And not buying or operating certain coke coal lands?

Mr. GARY. No.

Mr. ROBERT C. HALL. Mr. Chairman, permit me to state that when this contract was made in 1905 the Pittsburg Coal Co. was in very great financial straits, or shortly before. They had paid 7 per cent on their preferred stock. The preferred stock was issued to the owners of the coal lands at par, as equivalent for cash, for the purchase of the coal lands. It made a very drastic financial situation in the city of Pittsburg. The preferred stock dropped from 98 to something like 35. They were obliged to negotiate very quickly for $25,000,000 bonds, which were taken by the Union Trust Co., of Pittsburg, and for a number of years there were no dividends paid on this coal stock. This contract was made under those conditions, and many of the stockholders of the coal company feel that it is a contract which is better to own than it would be to own the coal company. Now, my position in this matter is not as an interested party in any way. I have not a share of stock in any of the corporations, but I am interested as a citizen of Pittsburg, believing that our coal reserves are the finest in the world; that no matter what coal is discovered anywhere in this country, there has never been a steam coal found anywhere equal to the Pittsburg vein, either for coking purposes or for steam purposes; and that this question of control of these coal companies in our district, either by contract for purchase of its output or by control by purchase of its assets, is the most vital situation that exists in our great industrial community to-day; and in the city of Pittsburg to-day it is one of the great economic problems we are facing, the question of the further development of our community or the question of the stifling of our community by manipulation or unjust handling of our coal reserves, which is what the city is built and founded upon.

Mr. GARDNER. What is the manipulation you speak of besides this contract which you say was made in 1905?

Mr. HALL. The manipulation is in the further control of the coking business.

Mr. GARDNER. This contract was made in 1905?

Mr. HALL. Yes, sir.

Mr. GARDNER. That was two years before the panic.

Mr. HALL. The Pittsburg Coal Co. was involved earlier than the panic of 1907. We had a sort of Pittsburg panic at that time.

Mr. GARDNER. And during that time they made this contract?

Mr. HALL. They borrowed $25,000,000 on bonds, and shortly afterwards made this contract.

Mr. GARDNER. And the contract was part of the bargain by which they were relieved of their necessities?

Mr. HALL. I have no knowledge as to that. I only draw inferences.

Mr. GARDNER. Were they syncronous; did they happen about the same time?

Mr. HALL. They came in sequence; yes, sir.

Mr. GARDNER. That is to say, that after their necessities had been relieved by the Union Trust Co. of Pittsburg, soon after that a contract was made which you think was an unfavorable contract for this company?

Mr. HALL. I take the statement of the president of the Pittsburg Coal Co. that their cost of mining was $1.01, and that dividend and sinking fund is 24 cents more, and my information is that the

contract is at $1 and $1.07, and you can draw your own conclusions from the figures.

Mr. GARDNER. What is your authority for that statement as to the contract? I have no doubt it is correct.

Mr. HALL. It is not necessary for me to state that now, as the contract is going to be produced and will speak for itself.

Mr. LITTLETON. Judge Gary, may I ask you a few questions in regard to this coal business? There are 17,000 acres of land in the Pittsburg district which you are contemplating purchasing. Is that right?

Mr. GARY. Yes.

Mr. LITTLETON. That is, you have the purchase of it under way on behalf of the Steel Corporation?

Mr. GARY. Yes.

Mr. LITTLETON. From whom are you purchasing those 17,000 acres?

Mr. GARY. We are purchasing through our local official from a committee of gentlemen appointed by the directors of the Pittsburg Coal Co.

Mr. LITTLETON. What kind of coal is in this 17,000 acres of land?

Mr. GARY. It is supposed to be coking coal; that is, coal that can now be coked. Our methods have been improved, and we are now able to coke coal which formerly we could not make coke out of.

Mr. LITTLETON. Is the coal in these 17,000 acres the coal which you have recently discovered can be coked or is coking coal?

Mr. GARY. Yes.

Mr. LITTLETON. What percentage of that kind of coal land does the 17,000 acres constitute of the Pittsburg Coal Co.?

Mr. GARY. I can not answer that question. I suppose, as a matter of fact, that all of the Pittsburg vein is cokable by the processes or by the methods now in use—the whole of it. If so, there are hundreds of thousands of acres.

Mr. LITTLETON. It has not heretofore been regarded as being cokable?

Mr. GARY. No; not heretofore. We have, for instance, a tract of property at the southern end, or south of and adjacent to the old Connellsville field, which was not supposed to be cokable at all up to about 12 years ago. The property was rejected at the price of $50 an acre, or perhaps less, at that time, because not considered cokable. That is called the Klondike region. About 12 years ago the Federal Steel Co., I think, was the first purchaser of a part of that tract and began to coke it. Now it is considered pretty fair coking coal. The Ellsworth tract of coal land on the other side of the river, situated in the Pittsburg vein, was not supposed to be coking coal 12 years ago. Ellsworth bought that at a comparatively low figure. It has recently been sold to the Lackawanna Steel Co., and they are making good coke of that at the present time; and Jones & Laughlin bought in the Pittsburg coal district, outside of the Connellsville field entirely, large tracts of coal within the last few years, and they are coking that. So I say this is changed, and at the present time I believe there are—I would not hesitate to say—millions of acres of coal in the United States undeveloped, which is cokable.

Mr. LITTLETON. Now, Judge Gary, distinguishing between the proposed purchase of these 17,000 acres and the contract which you have made with the Pittsburg Coal Co., to which reference has been made, will you tell the committee how much coal the contract calls for on behalf of the Steel Corporation?

Mr. GARY. I can only say that it provides for steam coal for certain districts, and I will be glad to give you the figures showing how much we have been taking and using under that contract per annum, and also I will endeavor to show you, because it is a matter of record contained in the annual printed and published reports of the Pittsburg Coal Co., what their total output is.

Mr. LITTLETON. Now, then, is it true that the contract called for coal which hitherto has been considered steaming coal but which may be coking coal?

Mr. GARY. On the basis that it is all cokable, yes.

Mr. LITTLETON. You have just said that you are coming to the point gradually and rapidly when the coal of that region may be, under certain processes, all coking coal?

Mr. GARY. Yes.

Mr. LITTLETON. Now, if that be true, then the contract with this company would call for coking coal as well?

Mr. GARY. Except we had no right to use it for coking purposes. Our contract prohibited that, and confined our uses to steam coal. And then let me say there are various grades of coal which may be made into coke, for instance, even though it is high in sulphur and high in phosphorus, and in some localities might not be considered merchantable, at the present time, yet by the elimination of these unfavorable parts, it would be cokable and would be usable, and is being used in various places.

Mr. LITTLETON. What percentage is your 17,000 acres of the recognized cokable coal fields?

Mr. GARY. So small as to be considered unimportant, I would say.

Mr. LITTLETON. I say of the recognized field there.

Mr. GARY. The coking fields now are very large because of these developments. If you will confine it to a certain territory——

Mr. LITTLETON (interposing). Well, take the Pittsburg district.

Mr. GARY. That even would leave a very large quantity of coal. But if you will confine it to river coal, which is accessible by river and which is cokable, or if you will confine it to what may be termed the Cannellsville field, although this is, strictly speaking, just out of that, then I could get nearer to that, although I might not be accurate in my figures. However, there is no secret whatever with reference to these matters, and we will endeavor, so far as the committee desires, to get the figures together, because we can do that.

Mr. LITTLETON. Going back to a matter that was unfinished at the last session, for a moment——

Mr. LINDABURY. Before you begin on that point, Mr. Chairman, I think it ought to be noted in connection with the statement of Mr. Hall, that Moody's Manual shows that those bonds of the Pittsburg Co. were issued January 1, 1904, and that the 25-year contract was not made until April 1, 1905, a year and a quarter later, as Mr. Gardner was asking questions on that matter.

Mr. HALL. My statement was that it followed in sequence.

The CHAIRMAN. Gentlemen, we can not have conversations between gentlemen on the floor. All remarks must be addressed to the chairman.

Mr. LITTLETON. Judge Gary, Mr. Roosevelt, in his letter of November 4, written to the Attorney General, in regard to the taking over or the purchase of the Tennessee Coal & Iron stock, says:

> Judge E. H. Gary and Mr. H. C. Frick, on behalf of the Steel Corporation, have just called on me. They state that there is a certain business firm, the name of which I have not been told, but which is of real importance in New York business circles, which will undoubtedly fail this week if help is not given.

Was there any particular reason for not telling the President or for his not having known the name of this concern?

Mr. GARY. I do not know now that there was. Naturally, no one would care to mention individual names, and I do not think we were asked to disclose the names, however.

Mr. LITTLETON. You were there seeking—if I use a word which does not suit you, you can correct me, as I am not trying to put words in your mouth—you were there seeking the approval of the Government through its proper sources, if proper, of the acquisition of this stock?

Mr. GARY. Not quite that. I think that would hardly be considered an accurate statement. I knew perfectly well, Mr. Root, the Secretary of State, told the President clearly, and the President understood that he had no right to approve the sale. But it seemed perfectly clear to me that if we should purchase the property of the Tennessee Coal & Iron Co. through its securities without first notifying the administration or the Department of Justice, and the opinion in Washington in those departments or either of them should be that we ought not to acquire the property, with the probable result that a bill might be filed to enjoin the consummation of the purchase, that the financial conditions which were the questions, the principal questions, under consideration would be made worse instead of better, and therefore we ought to know in advance what would be the attitude of the administration before we made the deal, and I told you the other day what my opinion was of the consequences and of the results.

Mr. LITTLETON. Now, Judge Gary, the Sherman antitrust law, as you know, after denouncing combinations in restraint of trade and monopolies, in section 3, providing that every combination in restraint of trade, and so forth, shall be held to be an offense, provides in section 4:

> The several circuit courts of the United States are hereby invested with jurisdiction to prevent and restrain violations of this act; and it shall be the duty of the several district attorneys of the United States, in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain such violations. Such proceedings may be by way of petition, setting forth the case and praying that such violation shall be enjoined or otherwise prohibited. When the parties complained of shall have been duly notified of such petition, the court shall proceed, as soon as may be, to the hearing and determination of the case, and pending such petition and before final decree the court may at any time make such temporary restraining order or prohibition as shall be deemed just in the premises.

You are familiar with that section?

Mr. GARY. More or less.

Mr. LITTLETON. You know that the Sherman antitrust law does not give the person who claims to be injured by the act denounced in this particular law any right to bring a proceeding for injunction?

Mr. GARY. I would suppose so.

Mr. LITTLETON. Well, I will call your attention to the fact that it has been decided by the courts of our country that the only person who can obtain an injunction against a proposed consolidation or combination in violation of the Sherman antitrust law is the Attorney General or some district attorney instructed by him.

Mr. GARY. I am not sufficiently familiar with the law to dispute your proposition.

Mr. LITTLETON. And the proceeding goes in the name of the United States in such cases. You are generally familiar with that general practice?

Mr. GARY. Well, I would think that is the law.

Mr. LITTLETON. Then, if on application to the President, and in turn to the Attorney General, the proposed taking over of the Tennessee Coal & Iron Co. either met with their approval or did not meet with their objection, under the limitations of the Sherman Antitrust Act, to which I have just alluded, you would feel, and those acting with you would feel, no doubt, would they not, that the Attorney General, being the sole source for the bringing of such an injunction, had practically waived any right or opportunity he would have to bring such an injunction against such a consolidation?

Mr. GARY. Well, of course, that is a conclusion, Mr. Littleton, that I perhaps am not qualified to pass upon. I felt, first, as stated by the President, that under the circumstances, knowing the financial conditions in New York, if the President stated, as he did, that he would not feel like objecting, that no reasonable person would have a right to object to his conclusions; and I felt also that in case of any proceeding later which amounted to an objection to that acquisition, a court of equity or any reasonable court would say that there ought not to be complaint on either the action of the President or the action of the United States Steel Corporation.

Mr. LITTLETON. In other words, the Attorney General being the only official in the country who could complain in an injunction proceeding, if he came into a court of equity thereafter, and the attention of the court was drawn to the fact that he had been consulted in advance and that his superior officers had been consulted and had either given their consent or had not objected, you felt that the action would be treated as an outrage against the United States Steel Corporation?

Mr. GARY. Well, of course, that is your statement of the proposition, Mr. Littleton, and I have no disposition to quarrel with it. I have given my best judgment in regard to it.

Mr. LITTLETON. You used the word "outrageous" the other day.

Mr. GARY. Yes, I did. I would say that if, for instance, that acquisition was illegal, which I deny most emphatically, if there was a prosecution for an alleged violation of the law under the circumstances which existed at that time, it would be most unjust, most unreasonable, most unfair. I certainly felt that way, and I feel so now.

Mr. LITTLETON. You would not have felt that way if you had not obtained the practical consent of the President and the Attorney General to the purchase of the Tennessee Coal and Iron Co.?

Mr. GARY. I would not have voted in favor of the acquisition of that property before going to the President, in the way I did, with the result which followed.

Mr. BARTLETT. And if the President had declined to take any position whatever on it, either to say he acquiesced in it or would not object, or to express any opinion, would you still have purchased the stock of the Tennessee Coal & Iron Co.?

Mr. GARY. I think I should have voted against it.

Mr. BARTLETT. Why?

Mr. GARY. Because of the attitude——

Mr. BARTLETT (interposing). I will withdraw that question.

Mr. LITTLETON. Further in the letter of the then President, Mr. Roosevelt, he said:

> Application has been urgently made to the Steel Corporation to purchase this stock as the only means of avoiding a failure.

Do you know to what particular company he referred in that letter as being about to fail?

Mr. GARY. Undoubtedly he referred to the firm which had been designated, though not named, and that firm, of course, was Moore & Schley.

Mr. LITTLETON. Did not the President, before he gave his consent or withdrew his objection—I will put it either way—did he not inquire as to what kind of a concern this was that was likely to fail, how large it was, what its assets were, what the imminence of its failure was?

Mr. GARY. I do not think he went into details.

Mr. LITTLETON. And did he not know at the time of the giving of his assent, what the general proportion of the failure would be, whether it was a large or small concern?

Mr. GARY. I hope you will not characterize that as an assent, because if I should adopt it it might do an injustice.

Mr. LITTLETON. I am trying to find some word which in a colorless fashion will express my idea without causing any continual controversy between us as to the shade of meaning. I will call it an acquiescence, if you please.

Mr. GARY. I would say it was a tacit acquiescence. I think that is only fair.

Mr. LITTLETON. Now, before the tacit acquiescence of the President and the administration in this purchase, did he know anything about what kind of a failure it would be, whether large or small, if it took place?

Mr. GARY. I think he knew it was important. I think he was informed it was important. I am not sure that he inquired or was told the name of the firm; but I am quite positive he was told it was an important firm and that it had many millions of securities in various banks in New York City, and that it was the opinion of Mr. Morgan and other leading bankers that it was necessary for us to acquire the property of the Tennessee Coal & Iron Co. through its securities, in order to relieve a very dangerous, embarrassing situation in New York.

Mr. LITTLETON. Now, did you or Mr. Frick, either one, know the extent and character of the loans which were then outstanding, which imperilled the business welfare of Moore & Schley?

Mr. GARY. We did know more than I remember now.

Mr. LITTLETON. Did you know enough to give the President, and if knowing did you give the President, a statement of the amount of loans, by whom and what bank held, and in what precarious condition, if any, they were?

Mr. GARY. I think not.

Mr. LITTLETON. He says further that:

Judge Gary and Mr. Frick informed me that as a mere business transaction they do not care to purchase the stock.

I take it you did so inform him?

Mr. GARY. I did, and that was true.

Mr. LITTLETON (reading):

That under ordinary circumstances they would not consider purchasing the stock, because but little benefit will come to the Steel Corporation from the purchase; that they are aware that the purchase will be used as a handle for attacks upon them on the ground that they are striving to secure a monopoly of the business and prevent competition—not that this would represent what could honestly be said, but what might recklessly and untruthfully be said.

Mr. GARY. Well, I have no personal recollection at this time on that subject.

Mr. LITTLETON (reading):

They further informed me that as a matter of fact the policy of the company has been to decline to acquire more than 60 per cent of the steel properties.

That you testified to?

Mr. GARY. I did.

Mr. LITTLETON (reading):

And that this purpose has been persevered in for several years past, with the object of preventing these accusations.

Was it stated that the purpose of persevering in that policy was to prevent the accusation to which he had theretofore referred?

Mr. GARY. I can not say from recollection exactly what was said. That might be his interpretation of my words. What I had in mind, and I think what I said in substance, was that it was our policy and our intention to keep our percentage of business at least down to 60 per cent and to make it certain that we could not be justly charged with having a monopoly.

Mr. LITTLETON. He says in the paragraph above that you are fearful it will be used as a handle to attack you for striving to secure a monopoly of the business; not that it would represent what could be honestly said on that subject, but that you were rather more fearful of the attack than you were of the truth of the charge.

Mr. GARY. Well, I have no recollection on that particular subject.

Mr. LITTLETON. He says, further, skipping a part of that paragraph—

that this has been urged upon them by the combination of the most responsible bankers in New York, who are now thus engaged in endeavoring to save the situation.

Mr. GARY. I have no doubt of that. When we left New York, about 12 o'clock, I believe there were at least 40 or 50 leading bankers of New York City at Mr. Morgan's library.

Mr. LITTLETON. Well, the fact that you were leaving and that they were there was a coincidence, was it not?

Mr. GARY. Yes; it was. But, nevertheless, many of those bankers were familiar with this matter and many of them spoke to me about it.

Mr. LITTLETON. Is it not a fact that during that panic the bankers of New York and the financial men interested immediately in the result of things held frequent and almost continuous meetings at Mr. Morgan's library?

Mr. GARY. It is; night and day.

Mr. LITTLETON. Mr. Roosevelt further said in his letter:

But they—

Referring to you and Mr. Frick—

asserted they did not wish to do this if I stated that it ought not to be done.

Mr. GARY. That is true.

Mr. LITTLETON (reading):

I answered that, while of course I could not advise them to take the action proposed, I felt it no public duty of mine to interpose any objection.

Mr. GARY. That is true, in substance.

Mr. LITTLETON. Now, going to the real question back of this letter, I understand from you that what you meant to say to the President and what you meant for him to understand from you was that Moore & Schley, although not naming them at the time, were in danger of failure?

Mr. GARY. Yes.

Mr. LITTLETON. If the Tennessee Coal & Iron stock was not taken over?

Mr. GARY. Yes.

Mr. LITTLETON. You proposed to take over the Tennessee Coal & Iron stock by an exchange of 5 per cent sinking fund bonds of the United States Steel Corporation?

Mr. GARY. Yes. Mr. Littleton, let me say here that it should be remembered that my information at that time with reference to the condition of Moore & Schley was largely from the mouth of Mr. Ledyard, the counsel of Col. Payne, although Mr. Schley was around, behind, or near Mr. Ledyard, having his counsel, Mr. Thatcher, and apparently as anxious as any man could possibly be. I have found out since more or less about what his condition really was, and very largely from his testimony before the Committee on the Judiciary of the Senate. Now, what was the latter part of your question?

Mr. LITTLETON. Perhaps I had better restate it. It was, as I say, the imminent failure or the effect of the failure of Moore & Schley that caused you to go to the President, and it was their failure that you tried to convey to him, without naming them, as being the great danger in Wall street or in the business center of the country?

Mr. GARY. Yes; their failure, with its result.

Mr. LITTLETON. Certainly; I imply all that. Now then, you were to exchange for the Tennessee Coal & Iron stock the 5 per cent bonds of the United States Steel Corporation, were you not, as the larger part of the trade?

Mr. GARY. I am not sure that was settled at that time.

Mr. LITTLETON. But you did do that?

Mr. GARY. We did do that finally, for the reasons which I gave the other day.

Mr. LITTLETON. From whom did the bonds come with which the exchange was effected?

Mr. GARY. They came from our treasury. We had unissued, at least unsold, I would say, United States Steel seconds, so called,

which have been characterized as a mere promise to pay, but which were secured by ample security.

Mr. LITTLETON. They are a sort of second mortgage bonds, are they not?

Mr. GARY. Yes; and were as good as money, either to sell or for collateral purposes, and not wishing to use our cash, for the reasons I have stated, we did not wish to disturb the financial conditions of the country, it was suggested, I think by Mr. Ledyard, that they would just as soon have bonds. And you will remember we had done that before to the extent of lending $1,200,000 of the bonds to Mr. Schley, who said then he would just as soon have them as cash.

Mr. LITTLETON. Just at that particular juncture, we will assume that your purpose, and I do not challenge your purpose, was to save the situation in Wall Street, you and Mr. Morgan and all the gentlemen who were deeply interested. You had these bonds in your treasury issued but not sold, and they were the one thing which would cure the imminent danger of the failure of Moore & Schley. Suppose, instead of buying the Tennessee Coal & Iron Co., which you did not wish, you had loaned those bonds to Moore & Schley for the purpose of saving the situation, would you not have effected the same result?

Mr. GARY. It is possible. That was not suggested, however. We did offer to loan money, you will remember. We offered to lend them either $5,000,000 or $6,000,000 and take stock of the Tennessee Coal & Iron Co. as collateral security. But Mr. Ledyard came back with the statement that that would not answer his purposes. I think Mr. Frick personally had a conversation with Mr. Schley, trying to get his assent to accepting a loan of money or the loan—I do not think a loan of bonds was suggested, but a loan of money.

Mr. LITTLETON. You could have loaned the bonds without any embarrassment to the Steel Corporation, could you not?

Mr. GARY. We could.

Mr. LITTLETON. And if the bonds when exchanged were the means of saving Moore & Schley they would have been just as efficient means when loaned, would they not?

Mr. GARY. They would.

Mr. LITTLETON. And therefore the purchase of the Tennessee Coal & Iron Co. would have been wholly unnecessary in that particular view of it?

Mr. GARY. I should think so.

Mr. LITTLETON. And Mr. Schley says he did not want to sell and you say you did not want to buy?

Mr. GARY. He did not say then he did not want to sell.

Mr. LITTLETON. Inasmuch as you did not wish to buy, and bought reluctantly, and this means was open to you for the saving of the situation, did it not occur to you that could be done?

Mr. GARY. It did not; and I hinted the other day at what I supposed was the real situation, although I do not know it. I suppose Moore & Schley's securities were tied up with a lot of others, and that none of them had the right to sell or use his securities without the consent of the others, and that others of those purchasers in that syndicate were very anxious to sell their Tennessee Coal & Iron securities, and took advantage of the situation to insist that Schley should not do anything with his securities unless the whole property were sold. That is my firm belief, that instead of our forcing the sellers to part

with their securities, that they took advantage, some of them, of the circumstances, to force us to buy. That is what I really believe. Of course, I may be mistaken.

Mr. LITTLETON. Now, as I understand it, Moore & Schley held 108,000 shares of the Tennessee Coal & Iron Co. stock, or, I will say, roughly, 108,000 shares. They were held for or on behalf of the subscribers or members of this syndicate whose names have been read into the record?

Mr. GARY. I think they had a good deal more than that in their name or possession.

Mr. LITTLETON. It appears from the statement which we went over the other day that Moore & Schley held 118,300 shares of stock which belonged to a group of gentlemen whose names have been read into the record and with whom you are familiar.

Mr. GARY. Some of them undoubtedly had taken up their stock; Col. Payne, for instance.

Mr. LITTLETON. My information is from the record, to be corrected by any better facts you may have, that Mr. Thorne, when he paid for his 10,000 shares, took it out. The point is, however, that Moore & Schley did not own a dollar's worth of the stock of the Tennessee Coal & Iron Co., did they?

Mr. GARY. That is not my understanding. I have understood that Moore & Schley, or Mr. Schley, had a very large interest personally. I may be mistaken, but that has been my understanding.

Mr. LITTLETON. Mr. Schley, in his testimony before the Judiciary Committee of the Senate, which you have had occasion to consult, said—I will not attempt to quote his words—that Moore & Schley did not own a share of the Tennessee Coal & Iron stock, but that he, Mr. Schley, individually, owned, I think, a relative amount to that of the other syndicate members.

Mr. GARY. I believe he states that. I did not know that.

Mr. LITTLETON. At that time you did not know it?

Mr. GARY. No; I did not know it.

Mr. LITTLETON. Now, if Moore & Schley, as a firm, did not own any stock, and if the stock which was in their possession had been hypothecated to support the loans of those who owned the stock, can you imagine or indicate a way in which Moore & Schley's financial standing would have been in any peril by reason of these loans?

Mr. GARY. Yes. Moore & Schley, in October, I think, had in their name—I should say the firm had upward of 130,000 shares of that stock. I believe you will find that to be the case by the record. Now, Moore & Schley, as a firm, I believe to have been indebted to various banks to an amount exceeding $30,000,000. I think they had loaned to their various customers, or some of their customers, who had purchased the Tennessee stock, certain sums of money, and held these stocks as collateral security, and that the firm as such had deposited with various banks more or less of these securities, perhaps all of them, as collateral security with other securities, and those banks were to a greater or less extent calling upon Moore & Schley to take out the Tennessee stock and substitute something better. Therefore, the firm was very greatly embarrassed, unless it could in some way cash these Tennessee securities, not only as to Schley's interest, but as to the interests of the customers of Moore & Schley.

Mr. LITTLETON. Now, let us see how it works out, Judge Gary. I understand from your version of it——

Mr. GARY (interposing). Of course, this is all more or less theoretical. You understand that I can only give you facts, when we come to facts, as to what we acted upon, and I depended entirely upon the statement of Commodore Ledyard.

Mr. LITTLETON. In an effort to find out what the real situation was, your understanding was that these men who owned this stock, which was on deposit with Moore & Schley, borrowed of Moore & Schley and put the stock up as collateral to their loans?

Mr. GARY. I rather think so. I believe Mr. Schley states that in his testimony.

Mr. LITTLETON. Having done that, Moore & Schley, using that with other collateral which they had, obtained money from various banks in New York City to the extent of something like $25,000,000 or $30,000,000 of their total firm indebtedness. You understood that to be the fact?

Mr. GARY. I believe it was upward of thirty millions. I think so.

Mr. LITTLETON. Now then, the amount of indebtedness secured by the Tennessee Coal & Iron stock, do you not understand to have been about $5,000,000 or $6,000,000?

Mr. GARY. I have been informed of that since. In fact, I got the impression in some way during these negotiations at one time that $5,000,000 or $6,000,000 in cash would let them out, and that is why we offered to loan them that amount.

Mr. LITTLETON. In other words, the customers of Moore & Schley who had this stock on deposit with them and who had borrowed on it, put up their stock to the extent of something like $5,000,000 or $6,000,000, and Moore & Schley in turn put up that stock with banks to the extent of $5,000,000 or $6,000,000?

Mr. GARY. Quite likely. I have no knowledge on the subject.

Mr. GARDNER. You will remember that Mr. Schley stated that his customers borrowed a great deal more from him on Tennessee Coal & Iron stock than he in turn was able to turn around and borrow from the bank?

Mr. LITTLETON. He had less responsibility to the outside banks than the customers who had borrowed of him?

Mr. GARY. Of course, these details have developed since the transactions in question.

Mr. LITTLETON. Now, then, Mr. Schley said at page 72 of this judicial hearing, in reply to a question by Senator Overman:

Was there any pressure to take up the Tennessee Coal & Iron collateral on the $5,000,000 or $6,000,000 you had borrowed?

Mr. Schley said:

Constantly. It got to be so, as I just remarked, that we were loaning more than this amount, and carrying for customers more than 100,000 shares. One hundred thousand represented about what we were able to keep out in our loans, and as the panic developed, a great deal of this stock was being taken from the market, and the quotations were infrequent, and they were wide apart, too. There was nobody buying it or selling it, as so much of it was out of the market, taken out by this operation, and in the development of the panic the banks declined to loan upon a security where the market was so apparently nominal. That is reasonable in a sense, too, because no bank is to be criticised who would not loan upon a security that did not have an immediate market. In those times, you know, they all got more or less cautious. So I would have continual calls, "Please take this Tennessee out of that loan," and so forth. So that it became a very serious matter.

Assuming that to be the fact, Judge Gary, would not the whole question as to whether Moore & Schley were in danger depend upon the attitude of the bank with which they had their thirty millions of loans and in which this Tennessee Coal & Iron stock was a part of the collateral?

Mr. GARY. From what you have read, assuming that to be true, I should think the answer should be in the affirmative.

Mr. LITTLETON. Now, if these banks were disposed to help Moore & Schley, knowing the intrinsic value of the Tennessee Coal & Iron property or having faith in it, and were not disposed to be hostile to them, could not those banks themselves have prevented the imminence of this purchase which finally had to be made, as you say, to save the situation?

Mr. GARY. Quite like they could, temporarily. But you can see how many questions might have been involved there, as to whether that would have been safe and good banking business. I have no interest in those banks, and it is not for me to pass judgment on them, but you must see that there are a good many questions involved under such circumstances as that, when banks from Chicago and Pittsburg and St. Louis and Kansas City and Omaha and San Francisco and all over the country have money on deposit in New York in large sums, and were relying upon the clearing house in New York to see that these banks were in condition all the time, and that the securities on hand were good collateral, were available and salable, and all that, that a banker who would leave securities which were not salable and not considered good in his bank without protest, or would undertake to carry a customer under circumstances which indicated that the banking was not wise banking, would assume a very great risk.

Mr. LITTLETON. I assume that is so.

Mr. GARY. Of course, we can look back at this situation, Mr. Littleton, but I believe you, as well as I, can carry our minds back to the particular time in question, when there was a panicky feeling throughout the city of New York, and other cities, and we did not have much time to think; and the banks in New York were furnishing money to the extent of their ability to help weaker banks. The bankers were, as you have said, in session night and day, with anxious faces, very much disturbed as to what they should do, and none of us had very much time to consider what ought to be done.

Mr. YOUNG. Judge Gary, would not what the banks would do to aid Moore & Schley depend on what pressure there was on the banks at the time?

Mr. GARY. Undoubtedly; on the part of the clearing house, particularly. Every bank had to look out for its own interests, try and keep its own record clear, and its own reputation good. Nobody knew, and I think Mr. Littleton will corroborate me, for a day or two no banker in New York City could tell where the next run would start, what would be the next bank involved, and it would have been a very easy thing there for two or three days to have extended that panic so that the results could not be measured, and so that nobody could look ahead and say when financial conditions would be relieved. I am not trying to exaggerate it, Mr. Littleton. I can not adequately give any idea of the financial frenzy which was apparent in New York at the time of this transaction. It is very easy, after trouble is over,

to look back upon it and say what you could have done, but when you are in the midst of trouble it is quite a different question.

Mr. LITTLETON. Judge Gary, I think we appreciate very largely that view you take of it. Let me ask you this question. It has been said, and I suppose upon sufficient facts to make it at least partly true, that J. P. Morgan & Co. owned, actually or potentially, the control of the larger number of the banks and trust companies in New York City.

Mr. GARY. I do not believe there is any foundation for that statement. I do not believe it is true. But that Mr. Morgan, at least, has a substantial interest in a number of banks, I believe there is no doubt of that. I have no knowledge on that subject, but that he controls or attempts to control banks is quite a different question.

Mr. LITTLETON. I am differentiating between what he does and what he might do. It is the actual and the potential that I am distinguishing between. Taking the day of the panic, for instance, with the potential control of the banks—I am assuming this and am not stating it—with the potential control of the banks in which the Moore & Schley loans were, and with the direction that the Tennessee Coal & Iron stock be eliminated from the loans, would it not have been possible for him, if he chose to do so, to have forced the sale of the Tennessee Coal & Iron stock?

Mr. GARY. I do not know that I could answer that question.

Mr. LITTLETON. Well, perhaps I can simplify it by saying that if all the banks or a number of banks in which loans are agree or act in concert or by coincidence, eliminate a certain class of collateral from the loans, or endeavor to do so, and direct the withdrawal or the substitution of other collateral, that in itself naturally destroys the efficiency of that collateral for loaning purposes amongst those banks and their allies, does it not?

Mr. GARY. If your question, taken all together, means what I rather think it does, I believe I could answer it in the affirmative. I believe any man of Mr. Morgan's wealth and strength of character and courage can do a great deal of harm in banking circles as well as a great deal of good. I believe that with power and privilege there is necessarily involved responsibility and obligation. That applies to the individual or the corporation and also applies to the Government. I do not think I would be frank and sincere with this committee if I should say that Mr. Morgan, under such circumstances, could not do a great deal of harm if he had the disposition to do so. That is true of other individuals, and that is one of the reasons why I say that this country, if it keeps up with other countries, in view of our great wealth and growing wealth, has got to come to the position, in my judgment, where there is cooperation between the Government and the individual. Where the Government, recognizing the rights of the individual, at the same time shall have the right to control in a large measure the conduct of the individual in the administration of these large financial affairs; and it seems to me your question opens up that whole thing, Mr. Littleton. You know Mr. Morgan's power as well as I do, and I would assent to it. I know that he has it. I know that his strength in financial circles is in his courage and in his fairness and in his willingness to risk his own fortune.

Mr. LITTLETON. Judge Gary, is it not a fact that the industrial combinations of the country have come pretty well under the control of the Government up to the present?

Mr. GARY. Well, that is a pretty big question. I think, as I said the other day, the Sherman law is inadequate, for instance, and I think there is some needed legislation. As to exactly what is should be, we may have different views, and I would be glad to tell you mine.

Mr. LITTLETON. Is it not a fact that in recent years the Government has more and more subjected industrial concerns and combinations to their jurisdiction and supervision?

Mr. GARY. Yes; that is true.

Mr. LITTLETON. Is it not true that the railroads more and more have come under the control of the Government and subject to its regulations?

Mr. GARY. That is true.

Mr. LITTLETON. And is there not another possible and even greater danger than either of these, and that is, by the combination of the banking and trust company interests, by which not only one branch of trade is restrained, but all branches of trade are restrained, if it is under the domination and control of one group of men?

Mr. GARY. That may be true. I do not believe in unbridled license to utilize wealth for selfish interests or for selfish purposes, Mr. Littleton.

Mr. BARTLETT. Had the failures of the banks or trust institutions in which Morse and Heinze were interested occurred when you purchased the Tennessee Coal & Iron Co.?

Mr. GARY. They had. That was probably the beginning of the panic in New York. I believe they were the proximate cause.

Mr. BARTLETT. And it was after the failure of those men that you were called on to help Moore & Schley in the way you have stated?

Mr. GARY. Yes; after those events.

Mr. BARTLETT. How long afterwards?

Mr. GARY. A few days. I am not certain as to the exact time.

Mr. BARTLETT. Do you think Heinze and Morse would agree with you that Mr. Morgan is a very powerful influence in the commercial world, either in doing good or injury?

Mr. GARY. Well I do not know about that, Judge Bartlett. I hardly like to express any opinion on their opinion. I want to say just one word, if I may, Mr. Littleton, adverting to this subject which you raise, and which seems to me very important at this time. I believe that it is just as important that the Government, which has the real power, should by legislation and by the administration of the laws, make it absolutely certain that property and business are protected. I believe we are in just as much danger at the present time of the Government going too far as we are of the individual going too far, and I do not hesitate to say that I am in favor of any law that will protect everyone and every interest.

Mr. LITTLETON. Do you think it likely that if a law were enacted which provided that after a concern got 60 per cent of the control of any line of business or commodity, it should automatically come into the hands or control of the Government, if we chose to go that high, and that if it is below that it might compete and go on in the old forms of competition, that would avail anything?

Mr. GARY. I do not think it would. I do not think that is a practical proposition. I do not believe in Government management, anyhow. I do not think that is practical.

Mr. LITTLETON. Let me go back now to one or two other matters that I want to ask you about. On what date did the Steel Co. turn over the bonds to Moore & Schley, or to whomever they were turned over, Judge Gary?

Mr. GARY. We commenced to turn over the bonds on the 7th of November. The contract was signed, I think, on November 6, although the bargain had really been completed some time before that.

Mr. LITTLETON. Do you know when the first delivery of the bonds was made?

Mr. GARY. I think on November 7. That is my impression.

Mr. LITTLETON. Were they delivered in substitution for the collateral of the Tennessee Coal & Iron Co. at various places, or were they all delivered in bulk to Moore & Schley? Just how did the delivery take place?

Mr. GARY. My recollection is that the deliveries were made through J. P. Morgan & Co.; that we delivered the bonds in bulk to J. P. Morgan & Co., and the stock of the Tennessee Coal & Iron Co. was delivered to J. P. Morgan & Co. in exchange for the bonds, and as I remember now it was a remarkable fact that almost all of the Tennessee Coal & Iron stock came in within a very short time after the contract was signed.

Mr. LITTLETON. That is, the minority and majority?

Mr. GARY. Yes.

Mr. LITTLETON. Let me ask you this question: When or how did these bonds, which were the curative remedy for the difficulty in Wall Street, reach the point that needed to be cured?

Mr. GARY. The announcement from Washington, immediately after the conference with the President, that the trade would be consummated——

Mr. LITTLETON. "All is well?"

Mr. GARY. That certainly, I have no doubt, produced a great feeling of relief immediately in New York. Of course the banks knew then that the purchase would be made and the bonds would be delivered and that everyone would be relieved.

Mr. LITTLETON. Then the men who were saying "Take out Tennessee," "Take out Tennessee" heard the word from Washington that the Tennessee had been sold now, and that the security which was necessary to protect their loans would come to take the place of the Tennessee Coal & Iron stock?

Mr. GARY. There is no doubt of it.

Mr. LITTLETON. And that reassured them, so that the moment when the substitution took place became wholly unimportant as a matter of reassurance in market conditions?

Mr. GARY. There is no doubt about that; and while I probably may not agree with some members of the committee, at least, I believe the action of President Roosevelt was real constructive statesmanship.

Mr. LITTLETON. It was rather obstructive, was it not, Judge?

Mr. BARTLETT. Or destructive.

The CHAIRMAN. Judge Gary, it was both, was it not?

Mr. GARY. Both what?

The CHAIRMAN. Both constructive and destructive—destructive of the law and constructive of the United States Steel Corporation?

Mr. GARY. I do not think it was destructive of the law in any respect. I have read in the newspapers that we were purchasing the

property of our principal competitor, our principal rival in business. Such a statement as that is laughable, Mr. Chairman. We were not securing control of any competition of any importance or consequence. When, as I have told you before, we have shown (and I will give you the figures in detail) that the United States Steel Corporation, starting out with a percentage of 60 per cent of the business, has now got down to about 50 per cent of the domestic steel business, there is no reason to complain that we were then or at any other time seeking to get a monopoly. That is the last thing we want. The United States Steel Corporation knows very well that the worst thing that could happen to it would be to have a monopoly of business, or to exercise a monopoly, or to do anything intentionally to restrain trade.

The CHAIRMAN. How long has the United States Steel Corporation been advised of the fact that it is not wise or safe to seek monopoly?

Mr. GARY. From the time of its organization, and before that. I can show you, Mr. Chairman, an article I wrote for the New York World in 1900, when I was acting as president of the Federal Steel Co., and before the organization of the United States Steel Corporation, upon that subject, which will show, I think, that at that time I never had any thought or intention or believed in monopoly or restraint of trade; and I have never departed from that idea or that intention. Of course what we have done is a matter of record, and we must be judged by our acts. I do not speak of our conduct with any feeling of self-satisfaction; but I am sincere in stating what our intention was and always has been.

Mr. LITTLETON. Judge Gary, Mr. Perkins was a partner of Mr. Morgan's at the time of this consolidation?

Mr. GARY. He was.

Mr. LITTLETON. Mr. Ledyard came to you, as you understood it, as the counsel of J. P. Morgan & Co. in this proposed sale?

Mr. GARY. I beg pardon?

Mr. LITTLETON. Did Mr. Ledyard come to you as counsel of Morgan, or counsel of Moore & Schley?

Mr. GARY. Not at all; he was neither. Commodore Ledyard was the counsel of Col. Oliver Payne. Payne was one of the syndicate members. I understood that Mr. Schley, or Moore & Schley, were indebted to Col. Payne in a considerable amount. But after Mr. Ledyard had had some conversation with his client, Col. Payne, and Col. Payne suggested that there might be some possible relief to Moore & Schley by the sale of this stock, my understanding is that Schley asked Mr. Ledyard to come to his house; and the facts were given then, and the negotiation was entirely between Mr. Ledyard and myself. Mr. Ledyard did not assume to represent Mr. Schley, but he was acting for and in behalf of the interests of Mr. Schley, because that would benefit Mr. Payne, who was a creditor of Moore & Schley. That is the way that came about. He did not represent Morgan.

Mr. LITTLETON. Then he was, as a matter of fact, as you understood, one of the counsel for J. P. Morgan & Co?

Mr. GARY. I did not know it; I never heard of it. He is not their regular counsel. If he has ever been employed, I have no knowledge on the subject.

Mr. LITTLETON. You understand that Francis Lynde Stetson has been the real attorney of Morgan & Co?

Mr. GARY. Yes; he has been their general counsel. I did not know that Ledyard and Stetson were or had ever been connected.

Mr. LITTLETON. They are not connected between themselves, but there have been departments, as I understand it—I may be in error myself—of the Morgan business which have been respectively represented by the two counsel.

Mr. GARY. I did not know. Since I have been in New York I have been brought more or less in contact with the counsel representing Morgan & Co., and I never knew Mr. Ledyard to represent them, but I do not deny that he did. I have no knowledge of it.

Mr. LITTLETON. We have asked and had information about whether the Government objected to this consolidation, or, rather, this purchase. May I ask if any stockholder objected to the purchase of the Tennessee Coal & Iron Co?

Mr. GARY. I never have heard of it.

Mr. LITTLETON. I do not want to lead you to make a general answer like that, because I have something specific in mind.

Mr. GARY. Yes; I wish you would call my attention to it.

Mr. LITTLETON. There was a protest made, was there not?

Mr. GARY. You mean a protest made by a stockholder of the Tennessee Coal & Iron Co?

Mr. LITTLETON. Yes.

Mr. GARY. I wish you would call my attention to it. I do not remember to have ever heard of it.

Mr. LITTLETON. Was there not a protest made—perhaps I am wrong in saying by a stockholder of the Tennessee Coal & Iron Co.?

Mr. GARY. There was a lawyer at one of our stockholders' meetings—I think his name was Mr. Hodge—who objected to the United States Steel Corporation acquiring that property.

Mr. LITTLETON. Yes; but what I mean is, the objection was made at a meeting of your corporation—the Steel Corporation?

Mr. GARY. The annual stockholders' meeting, probably.

Mr. LITTLETON. On April 20, 1909, or about that time?

Mr. GARY. Yes.

Mr. LITTLETON. Some time after this there was an objection made, was there not, to this effect, and was there not a resolution offered as follows:

Resolved, That the stockholders hereby disapprove of and protest against the action of the directors and officers of this corporation in securing the control of the Tennessee Coal & Iron Co., and in thereby rendering the corporation liable to forfeiture of its charter and penalties provided for in the State and Federal statutes; and

Resolved, That the board of directors and officers of the company be and they are hereby requested to take such steps as may be legal to rescind such action, and to place the corporation as nearly as may be possible in the position it occupied prior to such action; and

Resolved, That the officers and directors of the corporation be, and they are hereby, requested to hereafter wholly desist from all endeavor to control the iron and steel market, or to secure the control of existing corporations which are competing with it, until the Federal and State laws shall be so modified as to make such action legal, and then only when it shall appear to the directors, in the exercise of their discretion, to be legal, advisable, and for the ultimate good and gain of the company.

Mr. GARY. I think that resolution was offered by Mr. Hodge; and it might be interesting to know how much of a stockholder he was. I do not remember now.

Mr. LINDABURY. I think his previous record as a litigant with the Steel Co. ought also to be brought out.

Mr. LITTLETON. By the way, in fairness, had Mr. Hodge been a previous litigious contestant of yours?

Mr. GARY. Yes; he had. He is—well, I do not want to characterize him.

Mr. LITTLETON. The fact can be stated. It ought to be stated, because this is going on the record.

Mr. GARY. Well, I do not believe Mr. Hodge was interested at that time in the welfare of the stockholders of the Tennessee Coal & Iron Co., or the stockholders of the United States Steel Corporation, or in the Government, or in the people generally.

Mr. LITTLETON. Was he a stockholder, Judge Gary?

Mr. GARY. I think he was to a very small extent. That is my recollection.

Mr. LINDABURY. The committee will find the record that I alluded to in the New Jersey equity reports, in several volumes—Hodge *v.* The United States Steel Corporation.

Mr. LITTLETON. The record of this protest, be it ever so heavy or light, is a part of the record of the United States Steel Corporation's minutes of that date, is it not?

Mr. GARY. I have no doubt it is.

Mr. LITTLETON. And that resolution was defeated, was it not, by the action of the stockholders?

Mr. GARY. No doubt. I doubt if there was more than one vote in favor of the resolution.

Mr. LITTLETON. The papers say as follows—and I quote this with the understanding that that was followed by a statement by you, and I submit it to you for your indorsement or correction:

In offering the resolution, Mr. Hodge read from a statement issued by ex-President Roosevelt to the effect that Judge Gary and H. C. Frick had told him that the United States Steel Corporation would not have considered the purchase of the Tennessee Coal & Iron Co. except for the purpose of relieving the stress of the panic. Mr. Gary replied that the statement attributed to Mr. Roosevelt was not entirely accurate. He said that that may have been Mr. Roosevelt's interpretation of the situation, but was not quite correct. He explained that the Steel Corporation had considered, prior to that time, the acquisition of the Tennessee property, but the deal had fallen through.

Is that a correct quotation from anything you said?

Mr. GARY. I do not think it is. I think I may have said that we had, in one way or another, been requested to buy it, but had declined to do so.

Mr. LITTLETON. Your purported statement proceeds further:

Eventually it intended to secure the Tennessee concern, but the immediate cause for the closing of the deal at the time was brought about by the panic conditions.

Mr. GARY. No; that can not be. That is not accurate, I am very sure, because we had no such intention. What paper was that published in?

Mr. LITTLETON. The World of April 20, 1909.

Mr. GARY. I do not think it is accurate. Possibly we have a stenographic report of what I said. I am not sure. It is doubtful, I should think.

Mr. LITTLETON. Was there any cash consideration in the purchase of the Tennessee Coal & Iron Co? It seems to me that I got some impression that there was.

Mr. GARY. No; there was none, except we had to pay immediately several hundred thousand dollars of past due indebtedness. I have

heretofore given the figures of the amounts we paid. I think there was over $4,000,000 current indebtedness of the company, and quite a percentage of it was past due.

Mr. LITTLETON. I think you have not got the point I made. Was there, in the exchange of the bonds for the stock, any cash consideration?

Mr. GARY. No.

Mr. GARDNER. Judge Gary, you stated a little while ago that they issued $30,000,000 from the treasury bonds.

Mr. GARY. I did not give the amount.

Mr. GARDNER. Well, that was the amount; and your annual report for 1907 shows that you expended four millions and odd in cash to buy additional bonds in the open market. Possibly that is the thing to which Mr. Littleton refers. That appears in your report for 1907.

Mr. LITTLETON. There was a statement in there about some five or six hundred thousand dollars.

Mr. GARY. My impression is now that we had about $30,000,000 of bonds in the treasury which had not been sold——

Mr. GARDNER. That is what your report says.

Mr. GARY (continuing). That this purchase required a good deal more; and that the additional bonds were bonds which we had previously purchased in the market. I am not sure about that.

Mr. GARDNER. Your statement is this:

> Of the ten-sixty-year 5 per cent sinking-fund gold bonds delivered as above, $30,000,000 thereof were bonds of this issue held in the corporation's treasury, which had been executed and certified in 1903, as authorized by the directors and stockholders. The balance of the bonds delivered for the purpose aforesaid was acquired by the corporation through purchase in the open market.

And as far as your report shows, that balance consisted of $4,654,000.

Mr. GARY. That is true; and that is what those bonds cost us. But I think we had purchased all or most of those bonds prior to that time, and held them also in the treasury. That is my recollection.

Mr. GARDNER. They were not, then, these $30,000,000 which had been executed and certified in 1903?

Mr. GARY. No.

Mr. LITTLETON. Mr. Chairman, I suggest that we adjourn until 2 o'clock.

(The committee thereupon took a recess until 2 o'clock p. m. of the same day.)

AFTER RECESS.

STATEMENT OF MR. ELBERT H. GARY—Continued.

Mr. BARTLETT. Judge Gary, you spoke about the contract between the United States Steel Corporation and Schley and other parties with reference to the purchase of this stock. Is this a copy of the other agreement?

Mr. LINDABURY. It is so understood, and it was prepared by our people.

Mr. BARTLETT. That is the copy you furnished the committee in response to our request?

Mr. LINDABURY. That is correct. It is a compared copy of the original.

Mr. GARY. I have no doubt this is correct.

Mr. BARTLETT. You are willing for that to go in the record as a correct copy?

Mr. GARY. Yes.

Mr. YOUNG. This is a contract in relation to the loan, is it not—not in regard to the purchase?

Mr. GARY. Yes.

Mr. LINDABURY. The $1,200,000 loan.

Mr. GARY. This is a contract between the United States Steel Corporation and the members of the firm of Moore & Schley, under which the United States Steel Corporation loaned $1,200,000 "steel seconds," so called, and took as security for the return of them within a certain date $2,000,000 par value of the Tennessee Coal & Iron Co. stock.

Mr. LINDABURY. Your attention, perhaps, ought to be called to the fact that there is attached to the contract a copy of a letter from Moore & Schley to Richard Trimble, treasurer, under date of November 7, 1907, receipting for the bonds. I understand that a copy of that also was attached to the original, which the committee had before it the other day. They had been kept together, and with the permission of the committee I presume they may go in together. It is simply an acknowledgment of the consummation of the contract.

(The two papers above referred to are as follows:)

Agreement, made this 23d day of October, 1907, by and between the United States Steel Corporation, a corporation organized and existing under the laws of the State of New Jersey, party of the first part (hereinafter called "the first party"), and Grant B. Schley, Grant B. Schley, jr., Watson B. Dickerman, Henry P. Chilton, and Kenneth B. Schley, composing the firm of Moore & Schley, part of the second part (hereinafter called "the second party"):

Witnesseth that in consideration of the mutual agreements hereinafter contained and of $1 in hand paid by each of the parties to the other, receipt of which is hereby acknowledged, it is mutually covenanted and agreed as follows:

First. Upon the execution of this agreement the first party has delivered to the second party bonds of the United States Steel Corporation, known as ten-sixty-year 5 per cent sinking fund gold bonds issued under the indenture dated April 1, 1903, between the United States Steel Corporation and the United States Trust Co. of New York, of the aggregate par value of $1,200,000 to be held and disposed of by the second party as hereinafter provided.

Second. Upon the signing of this agreement the second party has delivered to the first party properly assigned or transferred shares of the capital stock of the Tennessee Coal, Iron & Railroad Co., a corporation organized and existing under the laws of the State of Tennessee, of the par value of $2,000,000, such stock to be held and disposed of by the first party as hereinafter provided.

Third. On or before April 23, 1908, the second party will deliver to the first party bonds of the United States Steel Corporation known as ten-sixty-year 5 per cent sinking fund gold bonds, issued under the indenture dated April 1, 1903, between the United States Steel Corporation and the United States Trust Co. of New York, to the aggregate par value of $1,200,000, and will pay to the first party any and all interest which prior to said last-mentioned day shall have accrued and shall have been paid by the United States Steel Corporation upon the said bonds so delivered to the second party as aforesaid.

Fourth. Upon the delivery of the said bonds to the first party as provided in the foregoing article of this agreement, the first party will deliver to the second party or its assigns stock of the Tennessee Coal, Iron & Railroad Co. of the par value of $2,000,000 and will pay to the second party all dividends which shall theretofore have been received by the first party in respect of such shares of stock.

Fifth. It is expressly covenanted and agreed that time is of the essence of this contract, and that in the event that the second party shall fail to deliver to the first party on or before April 23, 1908, bonds of the United States Steel Corporation as hereinbefore provided, then and thereupon the first party shall have the absolute and optional

right either (1) to retain and own the said shares of the capital stock of the Tennessee Coal, Iron & Railroad Co. of the par value of $2,000,000 delivered to the first party as aforesaid, or (2) to demand and collect from the second party an amount which shall be equivalent to the market value on April 23, 1908, of the said bonds of the aggregate par value of $1,200,000 so delivered to the second party as aforesaid, together with any and all interest which shall have accrued upon the said bonds between October 23, 1907, and April 23, 1908, whether paid or unpaid.

Sixth. The second party does hereby covenant, agree, and warrant that the market value of the said bonds on April 23, 1908, shall not be less than the market value thereof on October 23, 1907; and that in the event that the first party shall exercise its option to demand and collect from the second party the value of said bonds, and if the market value of the said bonds shall be less on April 23, 1908, than on October 23, 1907, then the second party will pay in cash upon demand to the first party, in addition to the market value of said $1,200,000 par value of said bonds on April 23, 1908, the difference between the market value of said $1,200,000 par value of said bonds on April 23, 1908, and on October 23, 1907. In the event that the first party shall not exercise its option to retain and own the said shares of the capital stock of the Tennessee Coal, Iron & Railroad Co., but shall demand and collect from the second party the moneys hereinbefore referred to, the first party will deliver to the second party the shares of the capital stock of the Tennessee Coal, Iron & Railroad Co. so delivered as aforesaid.

Seventh. This agreement shall bind and be for the benefit of the successors and assigns of both of the parties hereto.

In witness whereof these presents have been duly executed by the parties hereto the day and year first above written.

UNITED STATES STEEL CORPORATION,
[SEAL.] By E. H. GARY, *Chairman*.
Attest:

RICHARD TRIMBLE, *Secretary*.

(Witnesses: A. O. Allen, C. L. C. de Ganque, Jno. P. Downey, Geo. Lyons, J. E. Dempsey, C. A. Hutchinson, Moore & Schley, Grant B. Schley, Watson B. Dickerman, Henry P. Chilton, Grant B. Schley, jr., K. B. Schley.)

NOVEMBER 7, 1907.

Mr. RICHARD TRIMBLE,
Treasurer United States Steel Corporation,
71 Broadway, New York.

DEAR SIR: Referring to the agreement made October 23, 1907, between the United States Steel Corporation and the firm of Moore & Schley, which agreement provides that on or before April 23, 1908, the firm of Moore & Schley shall deliver to the United States Steel Corporation bonds of the United States Steel Corporation known as ten-sixty-year 5 per cent sinking fund gold bonds, to the aggregate par value of $1,200,000, and that upon the delivery of the said bonds the Steel Corporation shall deliver to Moore & Schley, or its assigns, stock of the Tennessee Coal, Iron & Railroad Co. of the par value of $2,000,000, we now deliver to you the bonds above mentioned of the par value of $1,200,000, and we acknowledge receipt from you this day of stock of the Tennessee Coal, Iron & Railroad Co., above mentioned, of the par value of $2,000,000.

It is our understanding that this delivery of bonds to you and of stock to us fulfills all of the requirements of said contract of October 23, 1907, and that said contract is thereby terminated.

Yours, truly, MOORE & SCHLEY.

Mr. LITTLETON. Judge Gary, I have been asked by Mr. Lindabury to ask you this question: Could you safely have loaned so large an amount [referring to the bonds of the Steel Co.] upon the Tennessee Coal & Iron Co.'s stock except for the opportunity to secure your loan by development of the property?

Mr. GARY. In the first place, at that time it was not a practicable question, I think, to make a loan of that amount of money, because we could not have done it without very seriously disturbing our banking relations, and thereby adding fuel to the financial flame. Moreover, in my opinion, the security would have been inadequate and the stockholders probably would have ground of complaint. While you

might say that the stock itself then would not be of sufficient value to justify the exchange, yet it gave us a chance to invest more money in the Birmingham district, improve and extend the properties, and eventually work out of the property enough to justify the purchase. I give you our conclusions in regard to that.

Mr. LITTLETON. That is all, Mr. Gardner.

Mr. GARY. May I add to what was said this morning that I would not like to be considered as agreeing with the gentlemen from Pittsburg that the Pittsburg coal is the best fuel coal in the world. I do not agree with that, although it is very good steam coal. Perhaps you know that the Government of the United States, in making tests, and thereby desiring the very best steam coal that can be secured, is in the habit of using what is called Pocahontas coal, which involves not only the Pocahontas district but a great deal of coal outside.

The CHAIRMAN. I should judge that would be a mere matter of opinion, about which probably you would not be bound and the committee would not be concerned. All right, Mr. Gardner.

Mr. GARDNER. In the first place, Judge, in expressing myself, I am going to dissent from the agreement entered into between you and the chairman to speak of the transaction at the White House as a tacit acquiescence on the part of President Roosevelt. I do not say that it was not, but I prefer to use his own words—that he felt it no public duty of his to interpose any objection.

In testifying the other day you stated that on October 23, 1907, you received $2,000,000 worth of the stock of the Tennessee Coal & Iron Co. in return for a loan of $1,200,000 of your second-mortgage fives at a valuation of about 60 per cent.

Mr. GARY. As security for the return of the bonds.

Mr. GARDNER. Do you know whether that stock was part of this syndicate's stock?

Mr. GARY. I do not know. I supposed at the time that it was stock which actually belonged to Moore & Schley.

Mr. GARDNER. As contradistinguished from stock belonging to Grant B. Schley?

Mr. GARY. I supposed so at that time. The fact that the agreement was signed by Moore & Schley and the individual members of the firm may have led me to that conclusion. I have no knowledge on that subject, Mr. Gardner.

Mr. GARDNER. You would not assume, then, that it was some $2,000,000 worth of their holding, or that which had been deposited with them as collateral in the formation of this pool—that it was something entirely outside the pool?

Mr. GARY. I do not know either way.

Mr. GARDNER. There was an agreement made at that time that the bonds must be returned by April 23, 1908, or else this stock would become your absolute property?

Mr. GARY. That is true.

Mr. GARDNER. As a matter of fact, how was that transaction ultimately settled?

Mr. GARY. My recollection is that that stock was taken over by us in October as a part of the purchase of the Tennessee stock, and those bonds applied in the same way that the other bonds were applied in making the exchange during the panic.

Mr. GARDNER. In other words, that ultimately you paid for that stock 100, instead of a price of 60, at which it was utlimately to revert to you in the following April?

Mr. GARY. Yes.

Mr. GARDNER. They turned it in, in other words, probably, at 100?

Mr. GARY. Yes. That was closed out in that way and referred to in the letter, a copy of which has been attached to the record.

Mr. GARDNER. You have stated that you suspected, though you knew nothing of it, that the reason Moore & Schley could not take $6,000,000 in one form or another (either in the form of bonds or money) and get out of their financial embarrassment might be that they were bound by the conditions of their syndicates, which was that they should all hang together, and that without unanimous consent they could not sell out at a loss?

Mr. GARY. I have stated that as a possible solution of the conditions.

Mr. GARDNER. And yet here was $2,000,000 worth of stock which was apparently transferred to you at a possible chance of selling it at 60, at a loss. How do you account for that?

Mr. GARY. I account for it on the basis that either Moore & Schley or some of them had stock which was outside of the syndicate, and which made up this $2,000,000, or that Messrs. Moore & Schley may have used that in the same way that they used stock at the banks—in putting it up as collateral security, expecting to get it back.

Mr. GARDNER. But this was a somewhat unusual condition, was it not—that after a certain date it should become the property of the Steel Corporation, instead of being sold?

Mr. GARY. Yes; but you must remember, Mr. Gardner, that with reference to that first transaction we dealt with Mr. Schley alone. In the next transaction, during the panic, I, in behalf of the United States Steel Corporation, dealt with Mr. Ledyard alone. Mr. Ledyard was the attorney of Col. Payne. Col. Payne was one of the customers of Moore & Schley and, I think, was a large creditor of Moore & Schley. He was familiar with these transactions. It was he who first suggested, I think, the posssibility of the United States Steel Corporation buying the stock. He was thoroughly familiar with the transactions at that time; and it would have been more difficult for Schley at that time to deal independently of other members of the syndicate. Of course I am traveling to some extent in the realm of speculation, I must admit. I do not know the facts.

Mr. GARDNER. We have traced certain stock in the hands of Moore & Schley, or Grant B. Schley, on October 23, which they apparently hypothecated with you in violation of what in the evidence before the Senate Committee on Judiciary and Mr. Gates's evidence has apparently been understood as a condition of that syndicate, to wit: That it should not be sold at a loss. The reason I am asking you these questions is in connection with the line taken by Mr. Littleton this morning. You indicated this morning that at the time of the Morgan library meetings you had some intimation or suspicion that the total amount of Moore & Schley's indebtedness secured by stock of the Tennessee Coal & Iron Co. amounted to about $6,000,000. It has developed later that that was the fact; but you said something this morning that led me to think that at the time you suspected it to be the fact; that is, the examination of Mr. Joyce and somebody else had led you to believe it was the fact. Am I correct in that?

Mr. GARY. That I suspected what, Mr. Gardner?

Mr. GARDNER. That Moore & Schley's indebtedness based on Tennessee Coal & Iron Co. stock amounted to about $5,000,000 or $6,000,000?

Mr. GARY. I suspected at that time, when Mr. Ledyard reported to me that the loan by our corporation to Moore & Schley of five or six million dollars would not relieve them, would not help the situation, or at least cure the difficulties, that the indebtedness of Moore & Schley which was secured by Tennessee Coal & Iron stock was much larger than five or six millions. But since that time I have reached the other conclusion as a possible answer to the difficulty; and I hope you will not assume that I have said I know that, Mr. Gardner, because I do not. I may be mistaken when I conjecture.

Mr. GARDNER. When you say you suspected it to be much larger, how much larger do you mean?

Mr. GARY. I could only answer that by saying that Mr. Ledyard said:

There is no possible way of relieving this situation unless the United States Steel Corporation will buy the whole of this syndicate's stock.

And I accepted his statement as true; I relied upon it and consented to the purchase on those conditions and on those representations.

Mr. GARDNER. You testified that it was understood that you would offer to loan Mr. Schley either five or six million dollars in cash; that that was in addition to what Col. Payne had agreed to give, and two parties unknown, making a total of $9,000,000?

Mr. GARY. Yes; and all I know about those other loans is what Commodore Ledyard said to me, and I hope you will have him before this committee.

Mr. GARDNER. What reasons had you to think that $9,000,000 would take care of the situation?

Mr. GARY. That it would or would not?

Mr. GARDNER. That it would, when you and Mr. Frick determined that that would be your proposition?

Mr. GARY. Let me tell you a little more clearly just how that came up. I got the impression first that the indebtedness of Moore & Schley secured by Tennessee Coal & Iron stock amounted to either five or six million dollars, I am not certain which, and Mr. Frick, who was very much opposed to buying the stock, all of which had been offered to us at the start, suggested that we make a loan of this amount to Moore & Schley in order to help the financial conditions. I offered that to Mr. Ledyard, who consulted with somebody, some person or persons, and came back to me with the statement that the amount proposed to be loaned was not sufficient; and not only that, that Col. Payne, as I remember, had offered to advance another million, and, as I remember it, other persons two more millions; but they, added to the amount which we proposed to loan, would not relieve Moore & Schley of their difficulties, and that there was no other way——

Mr. GARDNER. In the first instance you supposed, apparently, that the situation could be taken care of by your loaning $5,000,000 or $6,000,000; and as it turned out later, so far as Schley's hypothecated securities of the Tennessee Coal & Iron Co. were concerned, they did amount to about $6,000,000. You said this morning, in response to

Mr. Littleton, that you had never considered the proposition of lending Moore & Schley $6,000,000 of second mortgage bonds in order to avoid the necessity of the United States Steel Corporation buying for thirty-four millions some property which they only thought was worth 65 per cent of the amount that they had to pay. You said that had never been thought of.

Mr. GARY. I do not remember that there was any suggestion of loaning bonds for that amount.

Mr. GARDNER. But there was this suggestion of loaning money?

Mr. GARY. Yes; loaning money.

Mr. GARDNER. And as things have turned out in Mr. Schley's evidence, the loan of that money would have been sufficient to have relieved them from that position. Now, let me ask you this: They were indebted not only for those $6,000,000 which were secured by approximately 100,000 shares of Tennessee Coal & Iron stock, but they were indebted for $24,000,000 more, or thereabouts; as I recollect it, $30,000,000, or thereabouts, was their total indebtedness?

Mr. GARY. Thirty odd millions, I believe.

Mr. GARDNER. Thirty odd millions. Were any other of their securities called in question?

Mr. GARY. That I do not know; I can not answer.

Mr. GARDNER. But so far as you know?

Mr. GARY. I have no knowledge on the subject. It is because it is claimed now, or has been claimed since that time, by Mr. Schley, that he only had in the banks about five or six millions secured by the Tennessee Coal & Iron stock, and the further fact that immediately after the contract was made all of the stockholders of the Tennessee Coal & Iron Co. were apparently very anxious to make the exchange.

Mr. GARDNER. I quite concede that they showed they thought it was a good price; the minority all came in.

Mr. GARY. That is why I suspect that there was some reason why Moore & Schley could not——

Mr. GARDNER. I know. Now, here: Moore & Schley could not have hypothecated much more than 100,000 shares; and with 30 per cent margin that would figure out about $6,000,000 of loans. They only had 118,000 in the whole syndicate, as I understand it.

Mr. GARY. I think there were in their name 130,000 odd shares at that time. That is my recollection. I may be in error.

Mr. GARDNER. Probably a good many of those were in their strong box, where they could not borrow on them.

Mr. GARY. I do not know.

Mr. GARDNER. It appears that you thought at one time that this whole difficulty, so far as Moore & Schley was concerned, could be settled by a loan of $6,000,000 in addition to what other people had loaned, as Schley's testimony shows; and even if you took the whole 130,000 shares and suppose them to be hypothecated, that $9,000,000 would have been sufficient to take that stock out of the bank and give them some bonds that would be satisfactory. Now let me ask you this question: Suppose Moore & Schley's stock had been taken care of, would the banks at once have called loans for which some other member of that syndicate had put up Tennessee Coal & Iron stock as security?

Mr. GARY. There is no doubt of that; and that may furnish a solution of this, to my mind, somewhat mysterious condition of affairs.

Mr. GARDNER. That would have been a small proportion, however, of the syndicate shares, assuming that they had risen as high as 130,000 at that time. If I understood your testimony, or somebody else's—I have got a mass of it in my mind, but I think it was yours—the Trust Company of America—was that it—asked for how much money in the clearing house?

Mr. GARY. Oh, they did not get it from the clearing house; they got from Mr. Morgan and other associated bankers $10,000,000.

Mr. GARDNER. Yes; but did they not ask it first of the clearing house, and was there not an investigation as to the condition of the bank?

Mr. GARY. Of course, I am not familiar with that.

Mr. GARDNER. I expect, perhaps, that was in Mr. Gates's testimony.

Mr. GARY. I think you will find that the bankers advanced to that trust company $10,000,000 at that time.

Mr. GARDNER. Yes; but I am trying to get at the first time when anybody said that "Tennessee Coal & Iron had the smallpox"; because after that was once said, it is very easy to see how everybody would be throwing it out.

Mr. GARY. You would have to go back a good many years to find the date of the first criticism of that stock.

Mr. GARDNER. At all events, it could be hypothecated at par?

Mr. GARY. It could at this particular time, because of the fact that this syndicate of rich men had secured a majority of the stock. Of course, that stock has had a checkered career.

Mr. GARDNER. Mr. Stanley asked this question:

As I understand, going back to this original transaction, there was a certain bank there in New York—the Trust Co. of America—that needed $10,000,000?

Then Mr. Gates says that Mr. Thorne applied to the clearing house for $10,000,000—

And that the clearing-house committee sent over a committee to examine the assets under his loans, and that they claimed to him that he had too much Tennessee Coal & Iron.

So far as appears in this testimony, that is the first time that we have found that Tennessee Coal & Iron, with those rich men back of it, was unsatisfactory as a security.

Mr. GARY. I do not believe that is quite true, but it may be; I do not know. I suspect the reason Messrs. Moore & Schley borrowed these bonds of us some time previous was because the banks began to object to those securities; but I do not know that.

Mr. GARDNER. Is it not the duty of the national-bank examiner, when a situation like that arises, to examine the assets of a bank or a trust company, and express some opinion himself as to the validity of the securities by which loans are secured?

Mr. GARY. This was a trust company, not a national bank. I do not know how many, if any, of the national banks had these securities. The Trust Company of America was not subject to inspection by the national-bank examiners.

Mr. GARDNER. In your opinion, ought they not to be—if that is not a digression?

Mr. GARY. They ought to be under the inspection of some authority equally competent. You know, I presume, what they are doing in New York just now to protect them.

Mr. GARDNER. I confess that I should like to have the bank examiner subpœnaed whose duty it was at that time to examine the securities of the national banks. Do you know who it was?

Mr. GARY. I do not; but it would be, if anyone, the State bank examiner, Mr. Clark Williams.

Mr. GARDNER. That is to say, he would be the examiner for the State of New York?

Mr. GARY. Yes. The national-bank examiner had no access to the Trust Company of America, as I understand.

Mr. GARDNER. I quite understand that; but there must have been other banks that held this stock.

Mr. GARY. National banks? Well, there may have been; I do not know. I never knew the list of those banks, or knew anything about them.

Mr. GARDNER. There has been an implication floating around in the air that there was a general conspiracy afoot to spread unjustly the report that the Tennessee Coal & Iron Co. had the "smallpox," and that flew from bank to bank, and they all began to shrink away. I want to find out when that thing began, and I want to find out who the bank examiner is whose duty it would have been (either State or national) at that time to pass an opinion on that very question. In other words, I want some impartial evidence on it.

Mr. GARY. I do not know just how far this insinuation goes, but let me say that Mr. Morgan is as free and as far from the possibility of such a thought as that as anyone could possibly be. Those who know Mr. Morgan, who are brought in contact with him, know that he never does anything to destroy property. He is the typical man in this country who is a constructive man, who assists others in time of trouble.

Mr. GARDNER. Mr. Gary, suppose that I agree with you in that; but suppose that I was charged with the duty of demonstrating that belief, if I have it, to other people, would I not then want independent evidence of that fact, in view of the attitude of the public mind?

Mr. GARY. Certainly.

Mr. GARDNER. That is why I ask.

Mr. GARY. That is a very proper question, and I was going to answer the other part of your question by saying that it seems to me that there was a State bank examiner at that time whose duty it was to examine and pass judgment upon the values of securities in the different banks. At that time the trust companies were not in the clearing house in New York. They are just going into the clearing house, one by one, and I hope they will all become members. So far as the trust companies of New York are concerned, I doubt whether there has been adequate supervision and protection up to the present time. I think in Chicago for some years the trust companies, as well as the national banks, have been in the clearing house, but that has not been true of New York.

Mr. GARDNER. Can you tell me the name of this New York bank examiner?

Mr. GARY. I think it is Clark Williams.

Mr. GARDNER. Was there any national-bank examiner at that time who had cognizance of the situation?

Mr. GARY. If any of these securities were in the national banks, certainly the bank examiner for that district must have known the circumstances.

Mr. GARDNER. Do you know a Mr. Hanna, who is a bank examiner there?

Mr. GARY. Mr. Hanna was the bank examiner for the New York district at that time.

Mr. LINDABURY. For the information of the committee, if they do not already know it, I will state that it is common knowledge that Mr. Clark Williams was in New York night and day during this period in close touch with the situation, and he is a man who ought to be able to give the committee information.

Mr. LITTLETON. Mr. Gardner is asking now about the national banks, as I understand it.

Mr. LINDABURY. I am speaking of the State banks.

Mr. GARDNER. Of course I want to get information as to where this story started; whether it was (as has been implied) a conspiracy which was on foot to force the sale of the Tennessee Coal & Iron Co., taking advantage of a situation that existed in the market, or whether there is no truth in it. That is the thing that I am after, and it is one of the important things to get straight on in connection with this White House transaction.

Mr. GARY. May I make one suggestion? Any man interested in banks in New York City at the time of this panic would not any more think of doing anything to injure any other bank in New York City than one of us would think of throwing a lighted match into a magazine of powder that was very near us. He could not injure another bank without injuring himself, and no decent man, no honest man, no man with sense enough to protect his own interests in New York City would intentionally do anything to injure any one bank or anyone connected with a bank. The suggestion, to my mind, is the biggest nonsense that can be imagined.

Mr. GARDNER. Everybody in the country is not hearing your testimony at the present instant, Judge Gary. You must appreciate that.

Mr. GARY. Yes.

Mr. GARDNER. You may be creating a profound impression, or you may not, on those who are surrounding you when you make that statement. But if it can be supported by extraneous evidence, it is of immense value. If it can be destroyed by extraneous evidence, it is of immense value.

Mr. GARY. I hope you will not think I am criticizing the questions.

Mr. GARDNER. Not in the slightest.

Mr. GARY. That is farthest from my intentions. But you can imagine that the inquiry or the suggestion which you have made as having been made by others affects——

Mr. GARDNER. Oh, you know it is floating in the air.

Mr. GARY. Well, I suppose it is.

Mr. GARDNER. You were speaking about Mr. Gates's evidence, in which he said he insisted on the rights of the minority stockholders; and you rather implied that Mr. Gates had testified that he had protected the rights of the minority stockholders by forcing them into a forced sale. I think that was the gist of it—that is, that Mr. Gates had claimed that it was a forced sale, and yet had taken credit to himself for protecting the minority stockholders in giving them a chance to also be forced into a sale. That was your point, was it?

Mr. GARY. That may have been an inference from my testimony. I dislike, of course, to be put in the position of contradicting or

disagreeing with the recollection of some one else. Mr. Gates did state that when he appeared before the directors of the Tennessee Coal & Iron Co. he insisted on a resolution being adopted which should permit the minority stockholders to sell their stocks at the same price, and that he got a copy of that resolution.

Mr. GARDNER. You took that as an evidence that Mr. Gates at heart really thought it was a privilege he was getting for the minority stockholders?

Mr. GARY. I said if it was true it would show that, but I did not find any such resolution.

Mr. GARDNER. You also said that that message must have come by Marconi, or something of the kind. I want to get the exact date of this transaction, because, as far as I can make out, Mr. Gates landed on election day—Tuesday, I think, November 6. As a matter of fact, as far as I can make out, it was Wednesday, November 7, when the meeting of the full board of the United States Steel Corporation occurred. In other words, it was the day after his landing, which would fairly correspond with Mr. Gates's statement.

Mr. GARY. The agreement for the sale and purchase I think was signed on November 6, after Mr. Gates's return. The transaction, however, had been closed, had been agreed upon. The real understanding between Mr. Schley and myself is found in a little lead-pencil memorandum which I made at the time, and which was drawn up and agreed to by Mr. Ledyard and myself before Mr. Gates's return.

Mr. GARDNER. What is the date of that?

Mr. GARY. It is not dated, but——

Mr. GARDNER. Would Mr. Ledyard remember the date?

Mr. GARY. I do not know whether he will or not; I rather think he will. But it was certainly before I had heard anything about Mr. Gates's connection with it; and in that it was expressly provided that the United States Steel Corporation will also pay the same price and in the same manner for any additional stock of the Tennessee Coal & Iron Co. offered within 15 days. Now, of course, I am in no position to say that Mr. Gates did not insist upon what he now states. He may have sent that message from the sea. But from the fact that I understood a day or two before we closed this transaction that Mr. Ledyard would accept 90 for the stock in case we bought it, and that he came back and said that would not enable Moore & Schley to obtain the necessary relief, all of which took place before Mr. Gates's return, I am inclined to think he is mistaken in saying that he insisted upon the 10-point increase. But it is not very important, it seems to me.

Mr. GARDNER. I am not so sure about that.

Mr. GARY. Well, it may be.

Mr. GARDNER. Then, as you recollect it, that was accomplished before Mr. Gates came home, and he did not force you into it?

Mr. GARY. Yes.

Mr. GARDNER. Then why did you do it? Why did you take the minority stock, if you only considered that the stock was worth 65, and if, by taking the majority stock below, you could relieve the financial situation?

Mr. GARY. Because that was a part of the original arrangement between Mr. Ledyard and myself. For whom he spoke I do not know. I think Mr. Ledyard is entitled to the credit of the insisting

that the minority stockholders should have the right to sell at the same price. That is my recollection. If Mr. Gates is entitled to that, I have no disposition to take it from him; but it was not my understanding at all.

Mr. GARDNER. What I am trying to get in my mind, Judge Gary—and I might as well say it frankly—is this: I am trying to get into my mind whether the paramount motive of you gentlemen was to relieve the financial situation, or whether the paramount motive was not to extend your proportion of control, but to get a piece of property that was a good property provided you could get it cheap enough? That is what I am trying to get into my mind in asking these questions. Naturally, I first asked myself, "Why should they buy any more than they needed to to relieve the financial situation unless they wanted the property?" And there naturally arose this question of Gates that he had insisted on it, and forced you into it. Now, you have shown me that the transaction was completed before Mr. Gates's return; and that is why I want to know why you took more stock than was necessary. I am perfectly open to conviction, I assure you, Mr. Gary, on the question.

Mr. GARY. The paramount and only reason was to relieve Moore & Schley. We would not have considered the purchase on any other basis. Of course that is my statement, but you will find that that is the statement of all the members of the finance committee; and I have endeavored to give facts and figures with reference to this company to show that it was not a desirable purchase, and has not yet proved to be a desirable purchase. There is not any doubt that Mr. Ledyard insisted that the minority stockholders have the right to sell, and we would assent to that because we had to do it. That was really the reason. If Gates secured that, I did not know it. That is all I can say.

Mr. GARDNER. Mr. Gary, I am perfectly ready to be convinced that that was your paramount and only reason; but here is what is sticking in my mind: Circumstances have shown that that difficulty, so far as Moore & Schley and its holding of Tennessee Coal & Iron was concerned, could have been settled by anywhere from $6,000,000 to $8,000,000. You have testified that the stock was worth 65 to you, and no more.

Mr. GARY. I have not quite testified to that.

Mr. GARDNER. Well, perhaps not.

Mr. GARY. I have said that it was not worth more than that, in my opinion.

Mr. GARDNER. You paid 100 for it. In other words, you paid $35 more a share than you thought it was worth. That $35 a share applied to the total purchase, which was $34,000,000, brings out $11,900,000 that you paid for that property more than you believed it to be worth—a sum far larger than that which was necessary to take care of the difficulty in which Moore & Schley found themselves.

Mr. GARY. There is not any doubt that Commodore Ledyard insisted upon that, whomsoever he may have represented. Mr. Topping, the president of the company, was more or less in consultation with Schley and with Ledyard. Other people connected with the company by the ownership of stock, like Col. Payne, for instance, were in consultation with Commodore Ledyard. It seemed to me then, and does now, that it is no more than fair for anybody interested in or engaged in selling his own stock, particularly when it is a

part of a majority of the stock of a corporation, to insist that minority stockholders should have an opportunity of selling at the same price. Certainly that was done, whoever inspired it; and we had no alternative.

Mr. GARDNER. You had the alternative of taking up the loans yourself. I mean to say for that $11,900,000, that excess money that you paid for their securities, you could easily have relieved Moore & Schley's financial embarrassment so far as the Tennessee Coal & Iron Co. was concerned.

Mr. GARY. Mr. Gardner, we had no alternative at all. We had nothing to do except to accept the statement of Commodore Ledyard that Moore & Schley could be relieved only by the purchase of the securities of the syndicate, represented, in the way I have suggested, through Col. Payne, and from him through his lawyer, Mr. Ledyard. When we tried to suggest making a loan, that was objected to by Mr. Ledyard, and we were not offered any alternative, and while I did endeavor to ascertain to some extent the loans which Moore & Schley had secured from the different banks I never did learn fully nor get farther than to ascertain the fact that they had deposited these securities in a great many different banks in New York City. I did not know and could not know the details of their business. I was not offered that opportunity. We acted rather hastily. We were forced to pretty hasty action. I can only give you the facts as they were presented to us and the conclusions we reached at that time based on those facts and under those circumstances.

If Commodore Ledyard should disagree with me in any of these essential particulars, of course I would very much regret it. I have intended to state the exact facts as I remember them, and I can only believe he will corroborate me.

Mr. GARDNER. It is very easy to sit here afterwards and say it looks as if it could be done; but I should be glad, I confess, to have my mind disabused of the fact that Moore & Schley's indebtedness of $6,000,000 only could not be taken care of except by the purchase of $34,000,000 worth of stock at a loss to yourselves of over $11,000,000—nearly $12,000,000.

Mr. GARY. Not a loss; you do not mean quite that?

Mr. GARDNER. At a loss over your estimate of the value of the property. You estimated 65, you bought at 100; which makes a difference of $11,900,000.

Mr. GARY. I never considered that a loss, Mr. Gardner. I believed then and believe now we can work out——

Mr. GARDNER. I will say it was an excess payment, or a payment in excess over what you thought the property was worth.

Mr. GARY. Yes.

Mr. GARDNER. I have no doubt you are absolutely convinced it could not have been taken care of in any other way, but I think it would be an advantage to your case to make this committee see that it could not have been taken care of in any other way.

Mr. GARY. Does Mr. Schley claim he could have been relieved by the loan of any money?

Mr. GARDNER. At page 72 of the hearings on the Tennessee Coal & Iron Co. before a subcommittee of the Senate Committee on the Judiciary, Mr. Schley says:

> Oh, yes; if I had had five or six million dollars in real money, I would have been happy enough.

Mr. GARY. I do not think I had any conversation with Mr. Schley on that subject, Mr. Gardner. I think Mr. Frick did. I think Mr. Frick personally tried to persuade Mr. Schley to accept the loan. But I do know I offered it to Mr. Ledyard, and he came back and said it would not do; it would not be sufficient. I know that distinctly.

Mr. GARDNER. It is exceedingly probable that Mr. Schley's associates took advantage of the critical condition of the situation to prevent the trade until they were taken care of; in other words, to prevent the public being relieved in any way that you think and believe Mr. Pierpont Morgan was trying to relieve the public.

Mr. GARY. That may be true.

Mr. GARDNER. It is perfectly possible?

Mr. GARY. It is possible.

Mr. GARDNER. You can easily see the importance of giving a clear answer to an apparent fact, that apparently a situation can be taken care of by $6,000,000, and apparently you paid nearly $12,000,000 in cash more than you think the property is worth, for that property. It is perfectly obvious to me, Mr. Gary, that that is a situation which needs explanation.

Mr. LINDABURY. The committee will permit us to produce other witnesses on this subject, I hope.

Mr. GARDNER. The minority party has no jurisdiction over that.

Mr. BARTLETT. Any witness the gentleman wants——

Mr. GARDNER. I do not even know their names.

Mr. BARTLETT. The gentleman should not intimate that the majority would not subpœna a witness at the suggestion of a member of the committee or anybody who would throw light on the subject.

Mr. GARDNER. Mr. Gary, I am going to ask you a few questions now, and I presume some of them ought not to be answered, and some of them your counsel may object to. I do not quite know what the limits of the grounds of this fishing expedition are, but probably I shall find myself fishing inside of the 3-mile limit very often.

The CHAIRMAN. I would like to suggest to the gentleman that the expedition is hardly fishing.

Mr. GARDNER. That is what I am doing.

The CHAIRMAN. Oh, very well; but the majority of the committee are not engaged in hunting fish. We think we know where the fish are.

Mr. GARDNER. At all events, the majority of the committee has not conferred its knowledge on me, and I confess I am casting my bait more or less at random to see what I will bring out.

The CHAIRMAN. Mr. Gardner will soon know, because we have just had the honor of having him placed upon the committee.

Mr. GARDNER. Who are your principal independent competitors who make steel rails, Judge Gary?

Mr. GARY. The Lackawanna Steel Co., the Colorado Fuel & Iron Co., the Pennsylvania Steel Co., the Cambria Iron or Steel Co.—whatever the name may be—the Bethlehem Steel Co.

Mr. GARDNER. So far as the Pennsylvania Steel Co. and the Cambria Steel Co. and the Lackawanna Steel Co. are concerned—which we are specifically charged with investigating—are they absolutely independent of your company?

Mr. GARY. They are. All of those I have mentioned are absolutely independent. I omitted to include the Maryland Steel Co.

Mr. GARDNER. Do these companies produce steel rails to the full extent of their capacity?

Mr. GARY. At times, yes—as we do at times—when the demand is sufficient.

Mr. GARDNER. For a great many years the price of steel rails has been $28 a ton?

Mr. GARY. It has.

Mr. GARDNER. That is to say, if you went to the Pennsylvania Steel Co. or the Cambria Steel Co. or the Lackawanna Steel Co.—I use those three names because they are mentioned in the resolution—or the United States Steel Co., you would find that the price was $28 a ton, irrespective of whether their plants were being used to the maximum capacity; or even if they had very little business on hand, it would still be $28 a ton at each one of them, no matter which one you went to?

Mr. GARY. That has been the price at the mill. Sometimes locations, freights, have to a slight extent changed that base price. But that has been practically the mill price, the price at the mill.

Mr. GARDNER. The price at the mills?

Mr. GARY. At the mills.

Mr. GARDNER. I presume some of those companies have been able to make quite a profit at that price?

Mr. GARY. The figures were given before the Ways and Means Committee two or three years ago, and the Department of Commerce and Labor, or the Bureau of Corporations, has the figures. The profit is not great, Mr. Gardner, at that price.

Mr. GARDNER. As you remember, what is the maximum, according to those figures you have cited?

Mr. GARY. I believe the figures of our mill cost, at the time of this examination before the Ways and Means Committee, were $22.60 or $22.65. I stated the other day that it cost about $25,000,000 to build a rail mill of the present type, with what goes with it, and when you consider the interest on the investment, the depreciation, and so forth, the profit is rather small on rails at the present time, and smaller than it ought to be.

Mr. GARDNER. Mr. Schwab testified before the Ways and Means Committee, did he not, that the Tennessee Coal & Iron Co. had an advantage of $4.70 to $5 a ton over you in making steel rails?

Mr. GARY. I do not think so. It is so far from the facts that he could not have said that. On the contrary, I have given the figures here. Their cost of making rails was greater than their selling price.

Mr. GARDNER. I am merely quoting Senator Culberson's recollection, which may or may not have been accurate. But it is fair to say, perhaps, that some of these companies I have mentioned can make them for $23 or $24 a ton, the cost price to the Pennsylvania, the Cambria, the Lackawanna, the Maryland Steel Co., or the Colorado Fuel & Iron Co.; probably some of them make them for $23 or $24 a ton.

Mr. GARY. Oh, yes; and some of them a little less than that. That is, the mill cost.

Mr. GARDNER. You say the time has come when their plants are pretty nearly idle, and naturally any man would say that they would reduce their price on the finished product and try to get the business

away from somebody else. But for years the price has remained $28 a ton. How has that been done?

Mr. GARY. That has been done by reason of the fact that I think during the year 1899 the price of rails was reduced from about $33 per ton to $26 per ton. That was increased in 1900 to $28 per ton, I believe. Those prices were fixed, not by any agreement, but no doubt more or less as the result of an interchange of opinion, not as to what anyone would do or would not do, but as to what was a fair price. Those prices would have been changed by increasing them from time to time since, I feel certain, except for the fact that they were low, and becoming lower, by reason of the fact that the cost of production increased. There have been times when some of the rail makers have said they would like to increase the selling price; the demand justified it and the cost justified it. We have, for one reason or another, said we did not feel like changing the price so far as we are concerned, and it would, of course, be very difficult for one rail maker to increase the price of rails at his mills if some other rail maker refused to increase his price, continued to sell at a lower price. It is very easy to keep down prices; it is not easy to keep up prices. I do not want to disguise from you in the slightest particular, Mr. Gardner, because we must stand or fall by the facts and by the truth, that the steel people have, for some years, particularly, commencing at a period during the panic and from that time since, been in quite frequent intercourse, furnishing one to all the others information in regard to exactly what he was doing, and I would like to say to you, for your consideration as a part of the Government, exactly how the question has seemed to me; what my view of it has been. I think it is very important.

It has seemed to me that the Sherman law, so-called, has two different provisions that, in their application, are more or less antagonistic one to the other. One provision is against monopoly and the other is against restraint of trade. If one manufacturer should undertake to enter into any combination or agreement, express or implied, to fix prices, to restrict outut, to divide territory, it would be considered an arrangement in restraint of trade, and inimical to that provision. On the other hand, except for some basis whereby destructive competition could be avoided, whereby the old methods of doing business under which, as you probably know, a few only of the steel companies were allowed to survive and do business, and a large majority were wrecked, if we should enter into that kind of competition, it would mean that a large percentage at least of the manufacturers of steel would be wrecked; and that would secure to the survivors, to a greater or less extent, a monopoly, and our effort was to find a position between those two extremes, and what we have done has been open and aboveboard, whether right or wrong. We have met and laid our business on the table, so to speak, telling one another frankly and freely just what we were doing, and while that has not maintained prices, that has not prevented a good deal of cutting by different ones at different places and times, while it has not controlled the business in any sense of the word, yet it has had a very steadying influence, and has prevented the destructive competition to which I have adverted. That is the frank and honest state of facts, whether they are justified or not.

Mr. GARDNER. That would open the whole question as to what we are to substitute for competition, if the days of competition are gone by.

Mr. GARY. That partly accounts for the fact that the prices of steel rails have not changed, I think.

Mr. GARDNER. You have accounted for one aspect of that. Naturally, I realize that it is exceedingly difficult for an independent producer of rails to put them up to $29 a ton when you are selling at $28. I can quite understand that if I could give you a receipt by which you could sell goods for a greater price than your competitors sell them, I should be entitled to a very large salary from the United States Steel Corporation. But supposing that, instead of being a question of raising the prices, some of your competitors had been seriously considering lowering the prices in order to start up an unprofitable part of their plant, what line of reasoning would you use with them to prevent them doing so?

Mr. BARTLETT. That is what some of them are doing now.

Mr. GARDNER. That is only recently, Judge.

Mr. GARY. It has been done all the time, more or less; but not in rails, which you are talking about now.

Mr. GARDNER. I am talking about rails.

Mr. GARY. You see what the result would be if one of the seven or eight rail makers in times of depression should undertake to sell rails at an unreasonably low price. He might get one order or two orders, orders which his competitor ought to have had by reason of territory, connections, and so forth. But to-morrow or next week his competitor would sell at the same price he is selling at, or a little below, and get his business away from him, and it would not be long before they would be engaged in a destructive competition. These rail makers have intelligence enough—there are only a few of them, comparatively speaking, seven, or eight, or nine—they have intelligence enough to know that if they should engage in that kind of a destructive warfare it would not be for their interests, and so each one says, as a matter of good business judgment, good management, "Inasmuch as the prices of rails are low, are reasonable and more than reasonable, we had better maintain them at that. No one else is cutting his prices, and we had better maintain them at that, because it is for our interests to do so." And then, added to that, is the fact that railroad companies themselves, as I believe, are not complaining of this price of $28. I am very sure that they must think the prices are very low, because I have told some of them within the last year that it is only a question of time when, in order to secure a reasonable profit, we must increase the selling prices of rails, and I have heard no objection to that on their part.

Mr. GARDNER. I realize the force of that reasoning, and I suppose that at these dinners, perhaps, the reasoning takes that line.

Mr. GARY. I should like to submit to you what has been said there. But what has been said can not be unsaid, and must speak for itself.

Mr. GARDNER. Have you not, during that 10 years, encountered obstreperous rail makers who, in spite of all the arguments you could advance, said, "Yes, but we are going to drop the price of rails?"

Mr. GARY. To some extent.

Mr. GARDNER. And how did you argue with them?

Mr. GARY. It is done in this way. Some rail makers I have thought at times have reduced the selling price of their rails in a single transaction by selling something else with their rails at a very much reduced price, and thereby securing a little benefit, although the nominal price was $28.

Mr. BARTLETT. That was the charge made against Mr. Carnegie some years ago, that in selling the rails he threw in certain other material.

Mr. GARY. As to the controversy between Mr. Gates and Mr. Carnegie, if there is any, I think each one is fully capable of taking care of himself; I do not care to become involved in that.

Mr. BARTLETT. I asked you if that was not the charge made?

Mr. GARY. I did not mean to be disrespectful in my answer.

Mr. BARTLETT. Of course, I knew you did not. Still, you did not answer the question.

Mr. GARY. I do not know. To what do you refer when you say that was charged?

Mr. BARTLETT. I asked you if the charge was not made some years ago against Mr. Carnegie that, while he ostensibly kept the agreed price on rails up, he really got less for them by throwing in, so to speak, other materials that the railroads needed—spikes and bolts, and the like—which he did not charge anything for?

Mr. GARY. I think I saw that statement in Mr. Gates's testimony. I was not connected with the steel business at that time.

Mr. BARTLETT. Did not Mr. Schwab make that statement before the Ways and Means Committee?

Mr. GARY. It might be. The general policy of Mr. Carnegie, no doubt, whatever may be shown in exceptions, if there were any, was to keep his mills busy, and if he could not keep them busy by selling at one price he sold at another price, and at times he sold at prices which were ruinous to his competitors, because down to about his cost was very much below the cost of others. In my opinion, that was a very bad policy. I think in this country we have got beyond that kind of policy. I think it is the worst thing that could happen, because it necessarily involves the other extreme; when business is good and when the necessities of the purchasing public are great, then the producer takes advantage of that and puts up his prices as high as he possibly can, and it makes business unstable. A great many people not knowing where they stand are ground between these extremes and they go into bankruptcy. Of course, these are economic questions and the members of the committee are probably better able to form and express an opinion than I am in regard to this. But our policy in regard to that is well known. Our policy has been to try to keep, as far as we could, properly, prices which were reasonable all the time, not too high and not too low, and for the reasons which we have expressed.

The CHAIRMAN. As I understand you, Mr. Carnegie had an inveterate tendency toward competition which no contract could prevent or hold?

Mr. GARY. That is your way of stating it. I have in mind what Mr. Gates said about it. He said Mr. Carnegie was making contracts all the time. As I say, Mr. Carnegie can answer for himself about that. I believe that, in the steel business many years ago—you

must remember that was before some of us were in it—there were agreements made one day with the expectation of having them broken the same day. We do not make them; we can not make them. We know we have no right to make them, and we have chosen what seems to us the only proper course. This committee must determine whether our policy is proper and whether it is wise, and if the conditions of the day do not require something of the kind; unless the Government in some way controls and regulates these things.

Mr. GARDNER. I have not yet got inside of the 3-mile limit, although I am going to try to go in that direction. You pointed out perfectly clearly the line of argument you use to show men on general principles that they should not cut prices. I asked if you had not encountered obstreperous rail makers who said, "That is all very well, but we are going to cut prices." You answered that by saying that when they did so sometimes they gave trading stamps, or something else, in addition to make weight.

Mr. GARY. I did not assent to the proposition that they had some time said they were going to cut prices; but I do assent to the proposition that I feared sometimes they had done it indirectly.

Mr. GARDNER. Have you not feared sometimes that they meant to do it directly?

Mr. GARY. I do not believe I have ever had the opinion that any rail maker would be so foolish, certainly not during the last six or eight years, as to sell his rails below $28.

Mr. GARDNER. I presume Mr. Gates has made rails in that period, has he not?

Mr. GARY. No; he has not. Mr. Gates was president of the Illinois Steel Co., and went out of that position immediately after the Federal Steel was formed.

Mr. GARDNER. That included the North Chicago Rolling Mills, which certainly made rails. But that is going back.

Mr. GARY. That is going back 14 years.

Mr. GARDNER. I withdraw the suggestion of Mr. Gates. We will call him Mr. X.

Mr. GARY. Mr. Gates has not been much or any factor in the steel business since the United States Steel was formed, except lately he has gotten into the Republic.

Mr. GARDNER. I may have some difficulty in asking my questions, so I am going to tell you what I am driving at. I have heard it stated—I have not the slightest idea whether it is on good authority or not—that this situation will arise: That men, we will say, with a manufacturing cost of $24 a ton, are selling at $28 a ton, and that they think by selling at $26 a ton they can vastly increase their output and their sales; whereupon somebody comes to them and says, "Yes; but which would you rather do, get $4 profit on half the output or $2 on the whole output?" In other words, the amount being equal in both cases and the expenses very much lower if they only have half the output and get twice the profit; whereupon a man would naturally say, "Why, I would rather sell at $28 and get a $4 profit and sell half as much than sell at $26 and get a $2 profit and sell for twice what I am selling at $28." "But," says the manufacturer, "where are my orders to come from? How can I be assured that I am going to get that business?" I have heard it implied that it is

generally understood, in one way or another, that certain of the railroads will prorate their orders in proportion to the productive capacity of those various factories, those various steel makers, on the tacit acquiescence of all hands that the price shall remain at $28 a ton. That is what I am trying to bring out—whether there is any truth in there being, or ever having been, such an arrangement by which men say to themselves, "Why, naturally, if I can be assured of my orders, I will keep the price of $28 a ton, because it will pay me better to make $4 a ton than to make $2 a ton on twice as much of an output."

If that is true, I want to ascertain how such an agreement has come about.

Mr. GARY. I understand your question, I think. In the first place, I have never heard a rail maker make such a statement as you suggest, nor have I heard of it having been made by a rail maker. In the next place, I think the railroad companies do assume to make a distribution of their orders more or less in proportion to the business offered to them by the respective manufacturers. I am sorry to say they do not live up to that principle. I am very sure that we have not been treated quite as well as we ought to have been on that basis; I know we have not been. This thing is brought about in precisely the same way that the different leading hotels in a city will charge practically the same prices for the same thing, without any understanding or agreement whatever. They know; they ascertain in one way or another what the others are doing, what prices they charge, and so long as there is no disposition on the part of the others to change their prices, they do not change theirs. It is good business. Knowledge, publicity of what others are doing, goes a great ways in solving this difficulty. I suggested professional men the other day. They are more or less influenced with reference to business that is regular that does not necessarily involve a certain kind of skill. With reference to business that is regular, certain leading lawyers in a place, or physicians, will charge pretty nearly the same prices by knowing what the others are doing; and if they find out that another reduced the prices, they are inclined to reduce theirs; if another increases his prices, they are inclined to increase theirs, if they think it will go. It is knowledge, it is information that does it; and that is true of the rail business.

Mr. GARDNER. I have noticed the leading nighthawks pursue the same policy in Washington. [Laughter.] But I have never been able to get a different rate from different ones. The only difference in this situation is that the condition I supposed, on more or less unsatisfactory information—I will tell you that—seemed to imply a complicity of the railroads in the distribution of orders. I will say frankly to the committee that my information does not come from a rail maker; that it comes from a stock operator who is a friend of John W. Gates. I say that simply so that what I shall say will not carry too much or too little weight.

Mr. GARY. I am very glad, at least, that you gave the source of your information. It must speak for itself. I do not characterize it.

Mr. GARDNER. In fishing one must use such bait as comes to one's hand.

Mr. GARY. There is this about our business, Mr. Gardner. I do not doubt we have made a good many mistakes, and we may be wrong in our conclusions in many respects; it would be strange if we have

not. I have no feeling of satisfaction, I assure you. But we have published our theories, our policies. We have been pretty frank with the public, and we must be judged by our record. I do not undertake to say that subordinates, so called, that some officials of subsidiary companies, may not have made a good many mistakes, and some of them have done things they ought not to have done, that are entirely contrary to our policies and our wishes. We can not keep track of those things; we can not always know. I regret it if they have. We do not put ourselves on any pedestal. We claim to have been reasonably careful to make public our affairs, our policies, our wishes, our intentions from the beginning, and you must judge us by what we have done. We will give you the facts; I have not anything to conceal from you, Mr. Gardner.

Mr. GARDNER. I will confess that your annual reports, which I have been reading lately, are about the only annual reports that I have ever understood in my life. So that is probably some indication that I think you have made a very fair statement.

Mr. GARY. That is a very generous criticism. We started out with the avowed policy, indicated by some of us—I need not mention names—that if the corporation was to succeed it must be on the basis of publicity and on the basis of treating everybody interested in it fairly and justly. I do not say we have measured up to that intention, but that was the avowed policy, and we have never departed from it. The policy of our corporation is determined by a finance committee of nine gentlemen of as high character and ability as can be found. Their names are well known. We carefully consider these questions, and we take into consideration the rights of the stockholders, the rights of our employees, the rights of our customers, the rights of our competitors, and the rights of the general public. It is easy to make these professions, I know. I should hate to be considered or decided to be a hypocrite. But whatever the facts are, they have been pretty generally exposed, and you gentlemen are exposing them and I find no fault with you for it, not a particle. I am not here in a defiant attitude at all, not here with any professions of being any more decent than any man ought to be. But I do say that so far as I have information I will give it to you, and if I have not got it and can tell you where you can find it, I will assist in getting it.

Mr. YOUNG. Judge Gary, I wish to go back to some earlier transactions for a little while. Were you connected with the Illinois Steel Co. before the formation of the Federal Steel Co.?

Mr. GARY. I was, as general counsel.

Mr. YOUNG. Were you familiar with the organization of the Illinois Steel Co.

Mr. GARY. I was not. I was with the Federal Steel Co. That is where my close connection with the business commenced.

Mr. YOUNG. What was your relation to the organization of the Federal Steel Co.?

Mr. GARY. Mr. Nathaniel Thayer, of Boston, and Mr. J. Forbes Leith, of Scotland now, were the leading and, I would say, the controlling spirits in Illinois Steel during the summer of 1898. I had been general counsel of the company for some time, two or three years, I think. Mr. Forbes Leith had some interest in the Elgin, Joliet & Eastern Railroad Co. He suggested to Mr. Thayer that it

was desirable to have the Illinois Steel Co. buy the control of the Elgin, Joliet & Eastern Railroad Co., for the reason, amongst others, that the Chicago, Lake Shore & Eastern Railroad Co., controlled by the Illinois Steel Co., with which it connected, had a trackage right over the Elgin, Joliet & Eastern from Chicago to the Joliet mills, owned by the Illinois Steel Co., and operated trains of the Illinois Steel Co. over that road. Mr. Thayer wrote to me in June, 1898, I think, asking for my opinion in regard to that proposed acquisition. Mr. Thayer and Mr. Leith for some time had been consulting me with reference to the business affairs of the Illinois Steel, and I was quite familiar with the business at that time. I wrote back to Mr. Thayer that, considered by itself alone, I doubted the propriety of that purchase, but inasmuch as the Carnegie Steel Co. had built a railroad from Pittsburg to Lake Erie and had secured, or was about to secure, boats on the lake, was securing large quantities of iron ore, was in control of large quantities of coking coal, securing for itself what I would term a self-contained proposition or a rounded-out proposition, it might be desirable, if not necessary, for the Illinois Steel Co., in order to reach a point where it could manufacture at a low cost, to secure for itself a rounded-out proposition, and I would suggest the formation of a company which would take over the properties of the Illinois Steel Co., the Elgin, Joliet & Eastern Railroad Co., and the Minnesota Iron Co., which latter company owned the Duluth & Iron Range Railroad and also a fleet of boats on the lake.

Mr. YOUNG. Was that, so far as you know, the first suggestion of consolidation with the Minnesota Iron Co.?

Mr. GARY. I think it was; so far as I know, certainly it was the first suggestion of the proposition looking toward the organization of a company such as the Federal Steel afterwards grew to be. Mr. Thayer asked me to meet him in New York City, saying he would call a meeting of the finance committee, or have one called, and a meeting of the board of directors. I had been placed on the board of directors of the Illinois Steel Co., and I attended the meeting in New York, and it happened that at the same time the Minnesota Iron Co. held a meeting of its board of directors in New York City.

Mr. YOUNG. Was that arranged?

Mr. GARY. No; that was a coincidence, so far as I know; it was not arranged. However, at the meeting in New York City, Mr. Thayer and I went over this matter, and I suggested that we have a conversation with Mr. Porter, who was the leading spirit in the Minnesota Iron Co., on the subject.

Mr. YOUNG. Mr. Porter?

Mr. GARY. Mr. H. H. Porter. I did see Mr. Porter, and went over this matter briefly with him, and he said if I would have a committee appointed by the board of directors of the Illinois Steel Co. he would have the directors of the Minnesota Iron Co. appoint a committee with a view of having those two committees meet to see what, if anything, could be done in this direction.

Mr. YOUNG. Was Mr. Porter also a director of the Illinois Steel Co.?

Mr. GARY. He had been, but he had retired on account of some disagreements with Mr. Gates. Mr. Gates has given his version of that. He may be right; I have a little different understanding, but that is not important. It is only hearsay, so far as I am concerned. These committees I have referred to were appointed, and they met

at the Holland House. Gov. Flower, who was interested in the Minnesota Iron Co., was nominated and selected as chairman of the meeting, and as a result of that meeting it was voted by the committees to combine the Minnesota Iron Co. and the Illinois Steel Co. by some method of purchase, to put those properties, so far as they could, under one ownership, one being engaged in the ore business and the other engaged in the manufacturing business. That meeting agreed to let Mr. H. H. Rogers, who was interested in the Minnesota Iron Co., decide what was the relative value of the companies, and he did it at that meeting, based on the balance sheets, statements of assets and liabilities of the respective companies, and then the committees voted to appoint a committee of four, consisting of Gov. Flower, Mr. Spooner, Mr. Robert Bacon, and myself, with full power to do whatever was necessary to bring about the desired result. Gen. Spooner was away and never accepted the appointment and never had anything to do with it.

Mr. YOUNG. This related simply to the Illinois Steel Co. and the Minnesota Iron Co.?

Mr. GARY. That is right.

Mr. YOUNG. Will you state the values at which they were to go in?

Mr. GARY. I have forgotten that now; I can not give you that exactly now, from my recollection. But I was going to say that Gov. Flower went away to his country home in Watertown, and never attended, I think, more than one meeting, at which nothing was done, and never had anything to do with the business particularly. That left Mr. Bacon and me to do the work. I think I did most of the work in the formation of the Federal Steel. I did the legal work, with the very able assistance and counsel of Mr. Francis Lynde Stetson, and I think I made all the contracts that were made with reference to the organization, of course in consultation with Mr. Bacon; but the work devolved upon me, and I think perhaps I may say that what was done was largely done by me, in the formation of the Federal Steel. After we had had a few meetings—I do not remember how many—we decided that we would take over the Elgin, Joliet & Eastern Railroad Co., and later we decided we would acquire the Lorain Steel Co., which had a plant at Lorain, Ohio, not completed, and also had a plant at Johnstown, Pa. At Lorain, Ohio, the Lorain company manufactured pig iron and semifinished steel, and girder rails.

Mr. YOUNG. By semifinished steel you mean billets?

Mr. GARY. Ingots, blooms, and billets.

Mr. YOUNG. Anything else?

Mr. GARY. No; I think not. At Johnstown it manufactured railroad supplies, like frogs, switches, and things of that kind. None of these companies, so far as I know or remember, was in any respect in competition, one with the other; but it gave to the Federal Steel, which was organized to take over these different properties by the exchange of stock, the iron ore, the Duluth & Iron Range Railroad to convey the ore to the lake, a large number of boats on the lake, the manufacturing concern at South Works, Chicago, the North Works, at Joliet, the Lorain Steel Co., and a large tract of coal in the Pennsylvania district particularly.

Mr. YOUNG. To whom did that belong previous to that organization?

Mr. GARY. It belonged to the Illinois Steel Co. It was a rounded out proposition and a splendid proposition, except it did not have sufficient finishing mills. It was defective in that respect. But it was reasonably successful from the start.

Mr. YOUNG. This organization was completed in 1898?

Mr. GARY. 1898, and commenced business November 1, 1898.

Mr. YOUNG. What was the method of the organization?

Mr. GARY. The Federal Steel Co. was organized and had an authorized capital of $200,000,000; it issued stock, as I remember it, to the extent of ninety-odd million, and that stock was issued in exchange for the properties of the various companies I have named; so that it became a holding company and secured the stocks of all the other companies. In addition to that it provided a little over $14,000,000 in cash for a working capital, and to pay, I think, for finishing the Lorain Co. plant, some mills.

Mr. YOUNG. Where did that $14,000,000 in cash come from?

Mr. GARY. That came from a syndicate which subscribed for stock of the Federal Steel Co. on some basis; I do not remember the exact basis now. But those were public, and are printed, and I suppose are accessible; they are well known.

Mr. YOUNG. Let me see if I understand this. While the Federal Steel Co. was a purely holding company as related to the properties of the subsidiary companies, it still had a working capital of its own with which it worked those other properties?

Mr. GARY. It had a working capital of its own. I have forgotten just how much the surplus was after the loan or advancement to the subsidiary company for necessary completion of mills; but I think it had left about $10,000,000, and, of course, that working capital was used in loaning or advancing moneys to subsidiary companies. That money itself was kept in the possession and control of the Federal Steel.

Mr. YOUNG. The $90,000,000 in stock, then, paid for all these properties you took in?

Mr. GARY. That is right.

Mr. YOUNG. The Illinois Steel Co., the Minnesota Iron Co., the Elgin, Joliet & Eastern Railroad, and the Lorain Steel Co.?

Mr. GARY. With subsidiary companies.

Mr. YOUNG. What was the joint capitalization of all those companies previous to the organization?

Mr. GARY. That I do not know; I do not remember. I do not know whether they were considered; I am inclined to think they were not. We tried to get at the value of the properties themselves.

Mr. YOUNG. Do you know whether the $90,000,000 was considerably more than the joint capitalization of all those companies?

Mr. GARY. I would not deny it was. It would be remarkable if it were not, for I am very sure the properties were worth much more than their capitalizations at that time. I should think it was, but I do not remember.

Mr. YOUNG. Had the Illinois Steel Co. been a very profitable concern up to that time?

Mr. GARY. No; it had not.

Mr. YOUNG. How about the railroad?

Mr. GARY. It had not.

Mr. YOUNG. And the Lorain Steel Co., you say, was just building?

Mr. GARY. Yes; it was not a completed plant. They were making some iron and some steel. I do not think any of the companies had been very profitable. I know, for instance, the Duluth & Iron Range Railroad did not pay any dividends whatever from the time of its organization, I think about 1884, to 1899.

Mr. YOUNG. What was the strength, then, of this organization? Was it in these great ore fields just acquired?

Mr. GARY. It was in the fact that it put together, as a going concern, a self-contained proposition, a rounded-out proposition, from the raw material to the finished product. That was its strength.

Mr. YOUNG. And the finished product was what?

Mr. GARY. The Illinois Steel Co. made heavy rails, light rails, plate, semifinished steel, rods, merchant steel, and had a small structural plant on the North Side in Chicago. The Lorain Steel Co. made girder rails, as I have described, and railroad supplies. Those were the principal products, and, as I have already said, the Federal Steel was deficient in not having sufficient finishing mills to make it a perfectly good proposition.

Mr. YOUNG. Were you instrumental in the organization, in 1900 and 1901, of the United States Steel Corporation?

Mr. GARY. I was closely connected with it, and I will tell you what led up to it, and what was done.

Mr. YOUNG. I would like to have you, Judge, do that; give us the conditions, the reasons that led to its organization, what the negotiations were, and what the result was in the forming of this organization.

Mr. GARY. I will do that to the best of my ability and from my standpoint and information. The Federal Steel Co. had been in existence about two and a half years at that time. I was the president of that company. I should think some time early in 1900, Mr. Frick came to my office and suggested that the Federal Steel could be very much improved, that it was defective in some respects, and that he believed the Carnegie interests would sell their property. I had considerable conversation with him on the subject.

Mr. YOUNG. What time in the year was that?

Mr. GARY. I believe it was early in 1900. I may be mistaken in dates. That, in my opinion, was the first suggestion of what led to the formation of the United States Steel Corporation.

Mr. YOUNG. Let me ask you, was that after the Moores had had an option on the Carnegie property?

Mr. GARY. I think it was before. I spoke to Mr. Morgan about this matter, and he did not give it very much consideration. I talked to one or two other members of the firm; I talked to Mr. Porter about it, and to Mr. Rogers about it, and finally an interview was brought about between Mr. Rogers and Mr. Frick on the subject.

Mr. YOUNG. Mr. Rogers was then a stockholder in the Federal Steel?

Mr. GARY. He was, and on the board of directors, and on the executive committee. The executive committee of the Federal Steel was made up, I think, of Mr. Porter, Mr. Rogers, Mr. Nathaniel Thayer, Mr. Samuel Spencer, and myself. The conference between Messrs. Frick and Rogers did not result in anything. I am inclined to think that one of the reasons was that Mr. Frick said that, so far as he was concerned, and probably so far as others were concerned, they would not continue a connection, would not continue in the

business, and that had an influence on Mr. Rogers. Anyhow, nothing came of it. The first thing I heard about it was that Moore, and perhaps others with him, had secured an option from Mr. Carnegie on his interest in the Carnegie Company. I was not a party to that, and had nothing whatever to do with it, except that I knew the Moores consulted the First National Bank about the matter.

Mr. YOUNG. The First National of Chicago?

Mr. GARY. The First National of New York; and some one in that bank, presumably the president, consulted Messrs. Morgan & Co. about it, and Mr. C. H. Costar, who was the leading partner of Mr. Morgan up to the time of his death, and who had general charge of those matters, and who had had charge of the syndicate with reference to the Federal Steel, came to see me about this matter. The question was whether there was any way of utilizing that option which they had on Mr. Carnegie's interest, and, as it was presented to me, I did not think very favorably of it. I do not remember exactly what was said, but I know I did not think very favorably of it as presented, and Mr. Costar decided against it, and the whole thing fell through.

The next thing I remember, Mr. Schwab, some time in 1900, spoke to me about the Federal Steel securing the Carnegie properties, and said he believed that Mr. Carnegie would sell those properties, and I promised to speak to Mr. Morgan about it. I knew it would require some very able financing, so I promised to speak to Mr. Morgan about it. I did speak to Mr. Morgan about it, but did not receive at that time any encouragement whatever. In fact, I do not think he paid enough attention to familiarize himself with the properties. He had been a member of the board of directors of the Federal Steel, but had never taken any active interest with reference to the management, as he never has with reference to the United States Steel Corporation, I might say. I did not report to Mr. Schwab I had talked with Mr. Morgan about it. He spoke to me again about it once or twice, but nothing whatever was done as a result. But along about that time Mr. Simmons, who was, I think, president of the clearing house and president of one of the leading trust companies or banks——

Mr. LITTLETON. J. Edward Simmons?

Mr. GARY. Yes; J. Edward Simmons. Mr. Simmons, I think, at the request of Mr. Frick, gave a dinner in New York, and invited Mr. Schwab, Mr. Morgan, and various other people to the dinner. Mr. Schwab made a little statement at that dinner concerning the steel business that made quite an impression on Mr. Morgan.

Mr. YOUNG. Do you remember what the nature of that statement was—what it related to?

Mr. GARY. It was concerning the great ability of the Carnegie Co. and concerning its cost of production, concerning its export business, which at that time, though small from the present standpoint, was considerable; and of course I have no doubt what Mr. Schwab had in mind was the idea of showing that it would be a great thing in the Federal Steel should see its way clear to acquiring the Carnegie Steel Co.

Mr. YOUNG. Did he say anything about the conditions of competition in the steel business at that time?

Mr. GARY. I was not there, and I do not know that he did. I am not sure about that. I doubt it. But the next thing I heard about it, one Sunday morning early, Mr. Robert Bacon came to my home.

Mr. YOUNG. Who was that?

Mr. GARY. Mr. Robert Bacon, who was then a partner in the firm of J. P. Morgan & Co.—then a member of the firm—came to my home early Sunday morning, and said that the night before Mr. Schwab had surprised Mr. Morgan by bringing him a letter from Mr. Carnegie stating that he, Mr. Carnegie, would sell his properties and take his pay in bonds secured on the properties, as I remember. He did not say anything to me about Mr. Gates having been there with Mr. Schwab. I can not deny that; I have no knowledge on the subject, but I am very sure that Mr. Schwab is mistaken in his statement.

Mr. YOUNG. You mean Mr. Gates is mistaken in his statement?

Mr. GARY. I mean Mr. Gates is mistaken in his statement that during that night a plan was formulated for the organization of the United States Steel Corporation. I know that could not be true, from what followed. That is, he is mistaken in supposing that that is true; that is what I mean. I do not know; I have no knowledge of his being there. I never heard of it until I read it in his testimony. It is not, to my mind, important whether he was there or not, but I think it is of some importance to consider whether they formulated, that night, a plan for the organization of the United States Steel Corporation. Anyhow, Mr. Bacon did not say anything to me about Mr. Gates or anybody else. He simply had that letter in which Mr. Carnegie offered to sell his properties and take his pay in bonds.

Mr. YOUNG. Did he fix any price on them?

Mr. GARY. Yes; the price was fixed; the price afterwards paid in bonds. Mr. Bacon said Mr. Morgan requested him to come and see me early in the morning and present the whole question to me and get my opinion as to whether or not it was a practical business proposition or not. Mr. Bacon and I went over the matter thoroughly, it seems to me, until lunch time. I think Mr. Bacon then went back to Mr. Morgan and came again in the afternoon and stayed with me until very late that evening, going over the matter.

At that time, from the standpoint fo the Federal Steel Co., the great necessity was for having additional finishing mills, and having a corporation of sufficient capital and strength to be able to increase very materially its lines of business, particularly its export business, which at that time was comparatively small. As indicated in what I have referred to as a little article I wrote for the World in 1900, I had referred to this subject matter of export business being necessary, and of the ability of a large and rich corporation to increase that export business, that being one of the objects of a large combination of capital. Germany, for instance, at the present time with a capacity of something like 9,000,000 tons a year—not to attempt to speak with strict accuracy—exports about 50 per cent of it to foreign countries, to neutral ports all over the world, and other foreign manufacturers have a large and increasing export business. We had a very small export business in this country of steel products, and it was necessary to do something to increase that, to secure and maintain a position in the trade, in our contest for a fair share of foreign business, that is the business that came from neutral ports all over the world; and I went into that subject very carefully with Mr. Bacon on

that day, and there was a good deal of discussion between him and me in regard to the price which Mr. Carnegie asked for his properties. I knew Mr. Carnegie had given an option on his interest in these properties at a much less sum, within two years. I have forgotten the exact date. But in the meantime the values of properties had very materially increased, particularly as to ore and coal properties, and the Carnegie Co. had shown by the results of its business that its earning capacity was increasing very rapidly, and that therefore its properties were much more valuable than they were at the time that that option was given.

Mr. BARTLETT. Was the Carnegie Co. a corporation or a partnership?

Mr. GARY. It was a corporation at that time. Without being certain about the names, I think the Carnegie Co.——

The CHAIRMAN. "Limited," it was called?

Mr. GARY. No, sir; the Carnegie Co., the corporation, took over the Carnegie Steel Co. (Ltd.), a partnership, under the laws of Pennsylvania, and that was the owner of various subsidiary companies.

I said to Mr. Bacon, "There are a good many things to consider about this. If we can complete a corporation that is large enough and rich enough, wit sufficient financial resources, to furnish us adequate finishing mills and enablé us to increase our export business as it ought to be increased, I believe that this proposition is at least worth considering." And it was then agreed between us that I should meet Mr. Morgan at his bank at 11 o'clock on Monday. I did meet him there, and he and I spent some time going over this matter, and I explained to him in detail the business reasons for entertaining this proposition, at least, and finally said to him, "It seems to me, if you think of this being practicable, we should start from the Federal Steel Co., and therefore the first thing to do is to call in the Federal Steel people who are in the management—practically in control—of this corporation."

Thereupon we telephoned for Mr. Norman B. Ream, who has been here, and who was one of the directors of the Federal Steel Co., who lived in Chicago but who happened to be in New York that morning, as I knew, because I had a letter from him that morning from Chicago, and Mr. H. H. Rogers, another director of the Federal Steel Co., Mr. D. O. Mills, another director, Mr. H. H. Porter, another director, and we got into telephonic communication, through Mr. Ream or otherwise, with Mr. Marshall Field, of Chicago, another director; and when these gentlemen came together, in my way I attempted to present to them the possiblities of an organization that would seem to me to be desirable and successful, and that would be a good, fair, business proposition, and that would meet what seemed to me to be the necessities, from the standpoint of the business of manufacturing and selling iron and steel in this country in competition with the other countries of the world, and Mr. Morgan said that so far as he was concerned he knew this would involve financia operations that were very important and very responsible, and anyone might hesitate in regard to it, and yet if we gentlemen reached the conclusion that it was a good business proposition and perfectly proper and safe and reliable from a business standpoint and every other way, he would consider acting as the financial sponsor or manager of a syndicate. After a good deal of discussion and considera-

tion, while there was some opposition—a considerable opposition in the first place, particularly on the part of Mr. Porter—these gentlemen assented; and that is where we started.

Mr. YOUNG. At that time was anything contemplated except the joinder of the Federal Steel Co. and the Carnegie Co.? Had it grown any larger?

Mr. GARY. It had grown in the conversation, yes; no doubt about it. Various other companies were mentioned, particularly the Wire Co., the Tube Co., and the Bridge Co., and later the National Steel Co., because I believe it is true that Mr. Carnegie insisted that the National Steel should be acquired. I never knew until I read Mr. Gates's testimony that that was the result of Mr. Moore going to Mr. Carnegie and suggesting that. That may be true. I have no knowledge on the subject, but I do remember, during the negotiations, during the conversations, that the National Steel was spoken of.

Mr. YOUNG. Was Mr. Moore largely interested in the National Steel at that time?

Mr. GARY. Yes; he was the dominant factor there. There was a group of men consisting of Mr. Moore, Mr. Reid, and Mr. Leeds, who were dominant in that company, and three other companies, the Tin Plate Co., the American Sheet Steel Co., and the American Hoop Co., whatever its technical name may have been; and, since you have asked that question, later came the consideration of the Rockefeller ores, with what was attached. The first proposition was as to whether or not we could organize a complete corporation which should be self-contained, which should be in a position to operate at the lowest cost of production, and which would have sufficient finishing mills and sufficient capital to be able to compete with other manufacturers throughout the world.

It was on that basis we started this organization; it was on that basis we completed it.

The question of capitalization of that is involved, I have no doubt, in this investigation, and will be involved in the investigation by the Department of Commerce and Labor. I have no doubt they will make a report on that subject. I will give you my views about it. From the standpoint of the original cost to the various companies, from the standpoint of what it would have cost to reproduce them at that time, provided they could have been reproduced, which they could not so far as raw products were concerned, I think there is no doubt the United States Steel Corporation was overcapitalized; but from the standpoint of what the properties were actually worth, put together, utilized as a live proposition, as a going concern, I do not think the United States Steel Corporation was overcapitalized at that time. It was my opinion then and it is my opinion now.

Mr. YOUNG. Was the value largely increased by the elimination of competition between some of these component factors?

Mr. GARY. I do not think it was so much that. I think the valuation depended upon the fact that it had a proposition the nearest perfection in its line that had ever been formed, with sufficient capital and sufficient opportunities for improvement in the business, to extend its lines of business, and to manufacture at reasonable cost, more than anything else.

It has been suggested here, and with reason, based on facts, that there was some competition between some of the companies which

were taken into the United States Steel Corporation. There is no effort whatever to get away from the exact facts in regard to that, and I will be glad to give you—I think I can give you pretty accurately—just what that competition was; but, compared with the whole proposition taken up at that time, there was comparatively little competition between the different companies that went into the United States Steel Corporation, as I understand it, and in my opinion, from my viewpoint.

The Carnegie Steel Co. and the Illinois Steel Co. were in competition in the manufacture of rails, one located at Pittsburg and the other at Chicago, the territories being quite remotely situated. The Carnegie mills largely supplied a territory which was not supplied by the Illinois Steel Co., and the Illinois Steel Co. a territory which was not supplied to any extent—to any large extent—by the Carnegie Co.

Then in plate to some extent the same applies between the Carnegie Co. and the Federal Steel Co., that is, through subsidiary companies of the Federal Steel Co. I will give you that a little more completely later, if you will allow me, because I do not want to disguise or minimize what that competition was; but in my opinion the competitive feature applicable to these different companies was incidental. It was not the principal factor, not the important factor; certainly it was not so considered by me, not so stated, and not in our minds at that time; and in saying that I do not want to minimize the fact that there was competition, and I would be glad to give that to you exactly as it existed.

Mr. YOUNG. We would be very glad to have it.

Mr. GARY. I have not undertaken to say anything about the previous organizations of these subsidiary companies, and I am not trying to conceal that, at all. I have little knowledge in regard to them, except as to the Federal Steel. I did know, however, because I had been somewhat connected with it at an earlier day, that the Wire Co. had put together some wire companies which were in competition. That we had nothing to do with. We took the Wire Co. and all these other companies as we found them at the time. I did not know anything about the Tube Co. and I did not know anything about the Bridge Co. Mr. Roberts is here, and he can tell you all about the Bridge Co., and others can tell you all about the other companies. I knew little about them, and I doubt whether Mr. Morgan knew much about them. He had, though, in the way of financing or representing syndicates, I believe, some relation with the Tube Co. and with the Bridge Co.

It has been stated during this investigation, I think, that there were threats on the part of Mr. Carnegie to build a tube mill, and that was an important factor. If that is so, I did not know of that, I did not hear of that, and I have no comments to make about it. It certainly was not spoken of in our deliberations. I had heard that Mr. Carnegie was considering—had said something about—building a railroad from Pittsburg to New York, and that had disturbed the Pennsylvania Railroad people. I had no knowledge on that subject. I do not remember to have heard it referred to at that time.

Mr. YOUNG. You are sure you heard no conversation by Mr. Morgan in regard to that railroad proposition?

Mr. GARY. I do not remember to have heard anything about it, but I do not say that he did not speak about it. Of course others might

correct me. I had heard, I know, that Mr. Carnegie talked of building a railroad from Pittsburg to New York because he got into some altercation with the Pennsylvania Railroad Co. in regard to freights from Pittsburg to New York. But I have heard a great deal—I have seen more or less in the newspapers—about a desire, a disposition, to eliminate Mr. Carnegie, and all that. I do not know. Mr. Carnegie was no doubt anxious to sell his properties at what he then considered was a good price and what he now considers was a very small price, as he has stated repeatedly and with emphasis, and we were desirous of securing the Carnegie properties and the other properties for the reasons I have given, and we secured them at the best prices obtainable, every one of them. If we paid too much, it was because we could not help ourselves; we could not get them without. I was in very close connection with this proposition from the beginning, as I have stated, until the corporation was organized, being at Morgan's every day a part of the day and with the counsel in the case another part of most of the days. When it came to deciding upon the form of organization, the charter, and by-laws, and all that sort of thing, I was present and participated in it. Nothing was said about the form of the corporation until some time after the first meeting. I am very sure that up to that time Mr. Morgan had never given any thought to it, and certainly from that time Mr. Gates never had anything whatever to do with it except in representing, with others, the Wire Co., in trying to get all he possibly could for himself and other stockholders.

Mr. BARTLETT. May I ask you a question there? This was in 1901, was it?

Mr. GARY. In 1901.

Mr. BARTLETT. At the time of the formation of the Federal Steel Co.?

Mr. GARY. No, no; the United States Steel. The Federal Steel was organized in the summer of 1908. I think it required two or three months' work—about three months' work—before we commenced operations; or, at least, the company was embarked about the 1st of November, 1908.

Mr. BARTLETT. Was it in 1905 that the threat was abroad, or suggested, or afloat, that Mr. Carnegie was to build this tube works and the railroad?

Mr. GARY. Judge Bartlett, I never heard anything about the tube works, and I do not know anything about that.

Mr. BARTLETT. I find in Mr. Schwab's testimony before the Ways and Means Committee in 1908, the following on that subject:

> Mr. COCKRAN. And in 1901, when there was an announcement or threat that there would be some competition through Mr. Carnegie's going into the tubing business, the Carnegie Co. going into it, there was another consolidation in which they were all merged in one company, and the price continued the same?
>
> Mr. SCHWAB. Quite correct.

That is from Mr. Schwab's testimony before the Ways and Means Committee.

Mr. GARY. I want to say this. I believe, so far as the business part of the organization of the United States Steel Corporation is concerned, that I am as familiar as anyone with it. I think I had more to do with that proposition than anyone else. I think Mr. Morgan relied upon me to a large extent with reference to the busi-

ness part of it, and the question of a tube company, a proposed tube mills, by Mr. Carnegie, did not enter into the calculations, so far as I know. I can not say what was in Mr. Carnegie's mind or in the minds of others.

Mr. BARTLETT. On page 1641 of the same hearing before the Ways and Means Committee, Mr. Schwab testified as follows:

Mr. SCHWAB. The consolidation, as you term it, of the steel corporations in about the year 1901 came about in this way:

Mr. Morgan asked me if Mr. Carnegie wanted to sell his interests in iron and steel; that he then had large interests in the Federal and other companies. I approached Mr. Carnegie, and Mr. Carnegie said he would sell, and we sold our company to Mr Morgan, under conditions with which you are all familiar. We knew the properties Mr. Morgan controlled and upon which he was to give us a mortgage bond, and that is all there was to it.

Mr. GARY. I, of course, can not speak for anyone else but myself. I have given my recollection of the facts leading up to and resulting in the formation of the United States Steel Corporation, from my standpoint, and from my own connection and knowledge. I can not speak for others. I do not know what was in their minds. I only know of my connection.

Mr. BARTLETT. Mr. Schwab was interested in the Carnegie Co.?

Mr. GARY. He was. He was president of it; and he was frequently in the bank of J. P. Morgan & Co.; but I would not say that he represented Mr. Morgan in determining what should be done with reference to the business part of this proposition. I would not detract in any way from——

Mr. BARTLETT. You were the legal adviser at that time of the Federal Steel Co.?

Mr. GARY. I was the president of the Federal Steel Co.

Mr. BARTLETT. And the legal adviser of the United States Steel Co.?

Mr. GARY. No, sir.

Mr. BARTLETT. You were not connected with their legal department?

Mr. GARY. No, sir.

Mr. LINDABURY. That company was not formed at that time.

Mr. GARY. I have not been practicing law since I left Chicago to take the presidency of the Federal Steel Co., very much to my surprise.

Mr. BARTLETT. Who did have charge of the legal details of forming the corporation?

Mr. GARY. Of forming what?

Mr. BARTLETT. The United States Steel Corporation?

Mr. GARY. Oh; the gentlemen in charge of that were Francis Lynde Stetson and Victor Morawetz, although I was more or less connected with it, I must admit.

Mr. BARTLETT. You were consulted—I do not mean as a lawyer, but you were consulted by the lawyers who were engaged in arranging the legal details for the formation of the United States Steel Corporation, were you not?

Mr. GARY. I was; yes, sir.

Mr. YOUNG. Are you through, Judge Bartlett?

Mr. BARTLETT. Yes, sir; thank you.

Mr. YOUNG. What were the companies that were taken in originally when the United States Steel Corporation was formed?

Mr. GARY. The Federal Steel Co., the Moore group, so called.

Mr. YOUNG. That is the National?

Mr. GARY. The National Steel, the American Tin Plate, the American Sheet, the American Hoop, the American Bridge Co., the National Tube Co., the Carnegie Co. of course, the American Steel & Wire Co.; and before we finished, the Rockefeller Co., the Consolidated Iron Mines.

Mr. YOUNG. Did that go in as a part of the original consolidation, or did it go in after the company was organized?

Mr. GARY. It came in before we started business; it was not in at the beginning.

Mr. YOUNG. After the terms of the organization had been agreed upon you sent out circulars, did you not, to the stockholders of these various companies, and they were printed in the newspapers?

Mr. GARY. Circulars were sent out, and all the details of this organization are shown in those circulars.

Mr. YOUNG. Have you any of them?

Mr. GARY. I do not know that we have, but I believe they are obtainable. Have you not got them, Mr. Chairman?

The CHAIRMAN. No; I have not. I would like to have you put one in the record, right here.

Mr. YOUNG. They stated, as I recollect, the terms on which each company came in.

Mr. GARY. We will try to get those for you, Mr. Chairman.

Mr. YOUNG. At the time when that circular was sent out, were the Rockefeller mines included?

Mr. GARY. I can not answer that now. I would doubt it, but I may be mistaken. I am not certain. Certainly they did come in before we completed the organization.

Mr. YOUNG. You will produce that circular if you can find it?

Mr. GARY. Yes; or perhaps a typewritten copy. They were all made public at the time.

Mr. YOUNG. Yes. They were not only sent to stockholders, but they were printed in the newspapers?

Mr. GARY. They were, and I think the Department of Commerce, through the Bureau of Corporations, has copies of them; and if are to get the report soon, as I read, then you will get pretty full information in regard to that.

Mr. YOUNG. Since that original organization, what properties have you added, and when, and what were the circumstances under which they were added.

Mr. GARY. We took over the Union Steel Co.

Mr. YOUNG. Do you remember what that was?

Mr. GARY. December, 1902. I think our reports show, in detail, just what we acquired then, and the terms, and I will be very glad to furnish a report showing that in detail.

Mr. YOUNG. We will be very glad to have it.

Mr. GARY. And next, the Clairton Steel.

Mr. YOUNG. What was that?

Mr. GARY. The Clairton, a company formed by the Crucible Steel for the purpose of manufacturing iron and steel, some finished steel. They became involved. They were in the hands of a receiver. We were approached by the receiver at different times to purchase this property, and I think about a year after we were first approached we

did take over those properties, and our reports will show the date, and the price we paid, and what we obtained.

Mr. BARTLETT. You acquired an interest before that in the Pittsburg Steamship Co., and in the Oliver Iron Mining Co., did you not?

Mr. GARY. No; they were a part of the Carnegie properties. No; when we acquired the Carnegie Co., we acquired those companies which you have mentioned, which were subsidiary.

Then we acquired at one time—the exact date I have forgotten, but it is not very important to be considered—what was called the Troy Steel Products Co., which owned some furnaces of a second class—in a second-class condition—located at Troy, N. Y. This company owned some iron-ore properties in northern New York, and it was then believed that that ore could be utilized in these furnaces, and if so, we could have used that iron at our Worcester, Mass., plant, belonging to the Wire Co.; but we never did find it practical to use those ores, and we utilized the machinery elsewhere, and, I think, got out of the properties pretty near what we paid for them. It was not a going concern. It had been idle for years, and was not very important.

Mr. YOUNG. Did that company manufacture anything but pig iron?

Mr. GARY. They had some furnaces, and they had a small rolling mill, I think, but that had been idle for a good many years, and really all we expected to utilize the plant for, if at all, was for the manufacture of iron out of the New York ores, which we could use, as I have said, at Worcester, Mass.

Mr. YOUNG. What did the business of the Clairton Co. consist of?

Mr. GARY. They manufactured iron and billets, I think.

Mr. YOUNG. And the Union Steel Co.?

Mr. GARY. They manufactured some iron and some steel.

Mr. YOUNG. In what form?

Mr. GARY. They manufactured open-hearth steel, and they manufactured wire at the Donora plant and at South Sharon. They had a little plate mill; perhaps a small bar mill. They owned considerable iron ore and considerable coal, and they were quite valuable; and these plants we have improved and put in condition and utilized to good, fair advantage. I do not know but they had some other products. I am not quite sure.

Mr. YOUNG. Have you now stated all of the companies that the United States Steel Corporation has acquired, except the Tennessee Coal & Iron?

Mr. GARY. Not quite.

Mr. YOUNG. Since its organization?

Mr. GARY. No; I have not, quite; I think. I think I have mentioned all that the United States Steel Corporation took over, direct, except the Tennessee Coal & Iron, which has been referred to; but I was going to say, I think the Wire Co. took over a small plant at Trenton, N. J., which had another line of products, I think, and also bought of the receivers of the National Steel & Wire Co., located at New Haven, Conn., that property. That company failed and was in the hands of a receiver, and we purchased that property, and have utilized a part of it for the manufacture of cable wire, I think. That was bought at auction sale. We were not in competition with that, at all, as I remember it.

Mr. YOUNG. You acquired the Sharon?

Mr. GARY. The Sharon was a part of the Union Steel. The Sharon and Donora plants were a part of the Union Steel.

Mr. LITTLETON. What date was that?

Mr. GARY. I gave that; it was about December, 1902.

Mr. YOUNG. Have you acquired any properties since the acquisition of the Tennessee Coal & Iron Co., and if so, what?

Mr. GARY. I think not. I do not remember any. My assistant says he thinks within a comparatively short time we did buy, at auction sale—at least, the Wire Co. bought—the National plant at New Haven.

Mr. YOUNG. What kind of a concern was that?

Mr. GARY. That is the one I have said manufactured cable wire, I think.

Mr. YOUNG. Does that include all, now?

Mr. GARY. I think so.

Mr. BARTLETT. Will you permit me——

Mr. GARY. I will be very glad to be corrected.

Mr. BARTLETT. I do not want to correct anything.

Mr. GARY. Or, if I have overlooked anything, I will be glad to have it mentioned.

Mr. BARTLETT. Did you not acquire the Lake Superior Consolidated Iron Mines?

Mr. YOUNG. He has spoken of that.

Mr. GARY. Yes; that was the Rockefeller property. The Rockefeller properties went into the original United States Steel Corporation.

There may have been one or two other little mills somewhere that the Wire Co. may have purchased at auction; I am not quite certain as to that, or otherwise. I would say it is not very important. Yes; I have forgotten one. The United States Steel Corporation purchased the Shelby Steel Tube Co. I may not have got the exact name.

Mr. BARTLETT. It is the Shelby Steel Tube Co.

Mr. GARY. Yes; that is the name.

Mr. YOUNG. When was that?

Mr. GARY. The latter part of 1901—in the summer of 1901. They manufactured the seamless tubes.

Mr. YOUNG. Did that company have some patents which were valuable?

Mr. GARY. The Shelby Steel Tube Co.?

Mr. YOUNG. Yes.

Mr. GARY. I think it did. I am inclined to think so.

Mr. YOUNG. What did it manufacture?

Mr. GARY. Seamless tubes.

Mr. YOUNG. Seamless tubes?

Mr. GARY. Yes. We have attempted, whenever we could, to increase the diversity of our products. We have done that to a very great extent. I think we sold the Shelby Steel Tube Co. steel. They finished it into seamless tubes. They were not very successful, and they were very anxious to sell, and they were our customers, and we finally purchased the property on a fair basis.

Mr. YOUNG. In the acquisition of the Carnegie company did you acquire very extensive bodies of iron ore?

Mr. GARY. We did.

Mr. YOUNG. Those were operated by the Oliver Iron Mining Co.?

Mr. GARY. They were. Carnegie had five-sixths interest, and the Olivers one-sixth interest.

Mr. YOUNG. And through the Federal Steel Co. you acquired the very valuable iron properties of the Minnesota Iron Co.?

Mr. GARY. We did.

Mr. YOUNG. And through the purchase from Mr. Rockefeller you acquired very valuable iron properties on the Mesaba?

Mr. GARY. We did.

Mr. YOUNG. These iron-mining companies previous to that time had been competing companies in the production of ore?

Mr. GARY. I would not say that; certainly not to any appreciable extent. I might be mistaken in some respects. The Carnegie ore properties were acquired to furnish ore to the Carnegie manufacturing plants.

Mr. YOUNG. Yes.

Mr. GARY. The Minnesota Iron Co. was acquired to furnish ore to the Federal Steel subsidiary manufacturing plants. They sold very little, if any, in the open market. Certainly they did not intend to remain in that business, if they were in it at all. The Rockefellers had no manufacturing plants, and they sold to whomsoever they could.

Mr. YOUNG. Their ore properties were very extensive, were they not?

Mr. GARY. Well, they were. I think the Federal Steel Co. ore properties were the most extensive and the most valuable; but the Rockefeller ore properties were very extensive and very valuable, no doubt.

Mr. YOUNG. They ran into hundreds of millions of tons, did they not?

Mr. GARY. Yes.

Mr. YOUNG. It has been claimed that there was an attempt on the part of the United States Steel Corporation to dominate the market through the holding of all of the merchantable iron ore, or so large a proportion of it that they could control the market in that way. I wish you would state, so far as you know, what proportion of the known merchantable iron ore is owned by the United States Steel Corporation, the developed fields, or those that have been measured up, as we say, so that we know what they are.

Mr. GARY. In the Lake Superior district?

Mr. YOUNG. Yes; in the Lake Superior district.

Mr. GARY. I think I have already stated that the Government reports state that we have about 50 per cent. I think if the Hill ores are to be retained by us, which is a question not yet settled by a good deal, our percentage in that district would be more than that—something more. As to just what is merchantable ore, I have no doubt you know better than I that that is not entirely, definitely ascertainable at any time, and it is changing all the time, because poorer qualities of ore are coming in; and, strange as it may seem to one not posted, if all the ores that are usable to-day in this country should become exhausted, there are still billions of tons of ore in this country which will be usable.

Mr. YOUNG. Yes. Right in that connection, is it not true, Judge Gary, that when the Mesaba was first discovered it was found impossible to use but a very small proportion of those ores, except in connection with other ores, something like 20 per cent?

Mr. GARY. That is true, and the ore was not supposed to be of much value to one who did not have, or could not get, some of the old-range ores, so called, for mixture.

Mr. YOUNG. Now, those ores are used alone, are they not?

Mr. GARY. They are to a greater or less extent; to a considerable extent, yes.

Mr. YOUNG. And that change has been going on through the whole ore business, has it not, for many years?

Mr. GARY. That is true.

Mr. YOUNG. Since the time that you testified before the Ways and Means Committee, is it not a fact that there have been discoveries of very large bodies of iron ore in the Lake Superior region?

Mr. GARY. It is true there has been a good deal discovered. Conditions have quite materially changed.

Mr. YOUNG. And that has been true through a long series of years, has it not, that we have been discovering ores where we had no expectation of doing so a year or two before?

Mr. GARY. It has; and not only that, but that ore which was not supposed to be useful at all a comparatively short time ago is now capable of being utilized in the furnaces by treatment. The ore is concentrated by one process or another, and a good many people who had ore not considered of much value some time ago have now found that it is very valuable.

Mr. YOUNG. So that the amount of merchantable ore in this country is not a fixed quantity?

Mr. GARY. It is not.

Mr. YOUNG. It is constantly growing?

Mr. GARY. It is. Before I finish I hope you will allow me to state to the committee just which of the subsidiary companies were in competition, and to what extent, and to give you the names of the companies which were not in competition at all, so that you will see that that applied to most of the companies.

Mr. YOUNG. I was intending to return to that, but I wanted to ask yo just one question here.

Mr. GARY. Very well. Also I would like to state to you, before I finish, just what percentage of the steel business we had when we started and how that has been changed and reduced, and also our general policy which we attempted to carry into effect.

Mr. LITTLETON. Excuse me, Mr. Young, it does not seem possible for Judge Gary to finish this evening on that subject. I do not know how anybody else is situated, but I have not even been to my office or to the House or any other place to-day, and if Judge Gary can not finish to-night we might as well stop now and let him resume in the morning. I do not want to interrupt you by saying that, Mr. Young.

Mr. YOUNG. I have not very much more to say. One thing I wanted to say right now, before I forget it, is this: The other day I requested, Judge Gary, that you have us furnished a statement of your ownership of ores in the Lake Superior region, showing what were leased and when the leases expired, and so on. Is that being done?

Mr. GARY. Yes; but, of course, you must know that is quite an undertaking. It will take some time to do it. We will endeavor to give the committee all the information you call for as soon as we can do it and in a form that will make it perfectly plain.

Mr. YOUNG. I await the pleasure of the committee as to whether I should go on now.

The CHAIRMAN. I would suggest that if you require only a few minutes more to close, if you have only a few more questions, you might ask them.

Mr. YOUNG. I wish to go back simply to these matters that Judge Gary himself suggested.

The CHAIRMAN. Then we will sit five minutes more.

Mr. YOUNG. It will take longer than that, Mr. Chairman.

Mr. GARY. I could not go over it in a few minutes.

Mr. YOUNG. It would not be fair to the witness.

Mr. GARY. I will say that I found, Mr. Chairman, that those railroads in the Northwest are under the jurisdiction of the Interstate Commerce Commission, and that the reports are filed with the Interstate Commerce Commission. I think I was in some doubt about that when you asked me.

The CHAIRMAN. Yes; we will get that clearly.

(At 5.05 o'clock p. m. the committee adjourned until to-morrow, Thursday, June 8, 1911, at 10.30 o'clock a. m.)

No. 5

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
Thursday, June 8, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF ELBERT H. GARY—Continued.

Mr. YOUNG. When we adjourned last evening——

Mr. GARY. Before you commence, may I say that I have secured the record in the case referred to at Pittsburg. The title of the case is James W. Shields *v.* Hostetter-Connellsville Coke Co. et al., and here [exhibiting] is a certified copy of the decree, and we have the whole record here, as I promised to produce it for the committee.

Mr. LINDABURY. Suppose you read the decree, so that it will go into the record.

Mr. GARY (reading):

And now, November 7, 1908, this cause came on for hearing and no testimony having been taken under the various orders of court heretofore made, and counsel for complainant being present in court and stating there was no intention of taking testimony in support of the bill the cause is now dismissed at plaintiff's cost.

Per curiam.

JOS. BUFFINGTON, *Judge.*

Mr. BARTLETT. Leading up to that, was there an arrangement?

Mr. GARY. Not at all; there was no arrangement.

Mr. BARTLETT. Was there a friendly settlement?

Mr. GARY. No, sir. The defendants' counsel had been securing orders of the court to force the complainant to put in his testimony.

Mr. BARTLETT. It was a failure to further prosecute?

Mr. GARY. Yes, sir.

One other thing in answer to the inquiry by the chairman. The total output of coal of the Pittsburg and Monongahela River Coal Cos. for 1910 was 24,250,000 tons. Our companies, so called, took under their contract 4,727,000 tons or about 19 per cent of the total output, larger than I had supposed. Those are the figures.

Mr. YOUNG. Now, you will remember when we adjourned last night you were just starting to make a statement of the competition which existed between the different units of the United States Steel Corporation before they were consolidated into that company. Please proceed with that.

Mr. GARY. The Carnegie Steel Co., the subsidiary companies of the Federal Steel Co., the American Steel Hoop Co., and the National Steel Co. were to some extent in competition. The four companies

were not competitive with one another on all the lines of the production of the respective companies. The greater part of the National Steel Co.'s product was billets and sheet bars and were sold to the American Tin Plate and also to the Sheet Steel Co. I thought I could give you now the percentage perhaps of the competition, but I can not do that without further inquiry.

The American Wire & Steel Co., the National Tube Co., the American Tin Plate Co., the American Sheet Steel Co., the American Bridge Co., and the Lake Superior Consolidated Iron Mines were not in competition with one another or with the other companies. When we commenced business——

Mr. YOUNG (interposing). Before you go on with that, will you state what were the articles manufactured by these companies in the first group; what competing company did compete?

Mr. GARY. I stated that the other day about as fully as I can. I would say that the principal competition was between the Illinois Steel Co. and the Carnegie Co. in the sense of making the same articles or some of the same articles; they were substantially in competition. I do not wish to minimize that. That is true in the manufacture of rails particularly. So far as products are concerned, they were in substantial competition, and I would say that those were the principal articles.

However, as you know, the freight rates from Pittsburg to Chicago are quite large and I believe at that time were in the neighborhood of $3 per ton. The market of the Illinois Steel Co. was in the great and growing West largely. That is, they supplied largely the western railroads who had terminals in Chicago, and of course they did, to some extent, furnish rails to railroads which came from the East and had their terminals in Chicago, but the Carnegie Steel Co. in turn had a natural market which surrounded its plant—that is, the railroads having terminals in Pittsburg—and when you consider the respective territory or fields of the two, there was not so much competition as it would appear, although it is the fact that the Carnegie Co. did in time come into the western field and into territories which were not controlled to the extent at that time at least of selling rails, I believe, as low as $16 a ton, at a time when the Illinois Steel Co. was considering going into the hands of a receiver and came very near it. It did not pay any dividends, so far as I know, and I believe it did not pay any dividends at all, up to 1899.

Mr. BARTLETT. Right there. When was the Federal Steel Co. formed?

Mr. GARY. In 1898.

I believe, perhaps, if unrestricted and unchecked destructive competition had gone on the Illinois Steel Co. would undoubtedly have been driven out of business and, perhaps, I might say more. I do not say it with a view of casting any reflection upon anyone's management, but it is not at all certain that if the old management or the management which was in force at one time had continued, the Carnegie Co. would not have driven entirely out of business every steel company in the United States. Perhaps you are sufficiently familiar with the facts to determine whether that is a justified statement, but certainly that is the opinion of a great many different people, notwithstanding conditions had improved after the Federal Steel Co. was formed and everyone was getting on a better basis and

we had reached the point where we saw it was possible to organize a company which would be self-contained and which would, as I have said, secure a very large proportion of the export business.

Mr. YOUNG. Is it not true that beginning with about 1898 there has been great improvement in the business of the country generally?

Mr. GARY. That is true.

Mr. YOUNG. What effect has that had on the steel industry?

Mr. GARY. It had a very marked effect for the better.

Mr. YOUNG. While these two companies, the Illinois Steel Co. and the Carnegie Steel Co., each had its field, is it not, nevertheless, true that if the Carnegie Steel Co. had reduced considerably its price for rails, for instance, that it would have necessitated a corresponding reduction on the part of the Illinois Steel Co. in its field?

Mr. GARY. Of course, that is true. If any manufacturer of any importance reduces the price of its commodity, others are compelled to reduce their prices. There is no doubt about that. As I say, it is generally the small manufacturer——

Mr. YOUNG (interposing). Would not that be true, as a practical question, although the reduction of the Carnegie Steel Co. did not equal its freight rate to Chicago; would not the moral effect of that, assuming that the freight rate from Pittsburg to Chicago was $3 a ton and there had been a cut of $2 a ton by the Carnegie Co., which would not enable them to put their rails into Chicago as cheaply as the Illinois Steel Co. was selling them at, yet would not the moral effect compel the Illinois Steel Co. to cut its rate?

Mr. GARY. That might be so. I am not sure about that. I do not know that I am qualified to answer that.

I believe the cost of rails of the Illinois Steel Co. in 1895, 1896, and 1897 was much higher, materially higher, than the prices at which the Carnegie Co. sold rails at times, notwithstanding the wages of employees were, perhaps, not much more than half of the wages of to-day. Of course, those are economical questions——

Mr. YOUNG. The ore prices in those days were also lower?

Mr. GARY. Yes; they were very low. I remember particularly in 1895 that the prices of ore were very low indeed.

Mr. YOUNG. Was that due to the competition between the different ore companies or to general business conditions?

Mr. GARY. Largely to general business conditions. Of course, general business conditions have had very much to do with prices all the time, up or down; there is no doubt of that.

Mr. YOUNG. Did you state what you wished upon the question of competition between the different subsidiary companies?

Mr. GARY. I think I have.

Mr. YOUNG. Will you now take up the question of the proportion of the entire business of the country which has from year to year been transacted by the United States Steel Corporation since its organization?

Mr. GARY. Yes, sir; I will.

For the year 1901, the year in which the United States Steel Corporation was organized, it had of the total of pig iron, spiegel and ferro, production of the country 43.2 per cent, and others, independents, so called, 56.8 per cent. In 1910 it had 43.4 per cent and the others 56.6 per cent.

Mr. YOUNG. Can you give the intermediate years?

Mr. GARY. I want to make a suggestion, if the committee will pardon me. My counsel suggests that I had better make this a little more complete.

In 1901 the United States Steel Corporation had of pig iron, spiegel and ferro, 43.2 per cent of the total production of the country.

In 1902, 44.8 per cent; 1903, 40.4 per cent; 1904, 44.7 per cent; 1905, 44.2 per cent; 1906, 44.5 per cent.

The CHAIRMAN (interposing). I dislike very much to interrupt your narrative, but I was called out of the room. What is that you are giving us now?

Mr. GARY. I was undertaking to give the relative production of the United States Steel Corporation's subsidiary companies for the different years, the percentage of their total production of the country.

The CHAIRMAN. Everything?

Mr. LINDABURY. In this case it is pig iron, spiegel, and ferro.

Mr. GARY. This relates to pig iron, spiegel, and ferro.

In 1907, including the Tennessee Coal & Iron Co., 44.3 per cent; 1908, 43.5 per cent; 1909, 45 per cent; 1910, 43.4 per cent. Of steel ingots and castings, the subsidiary companies of the United States Steel Corporation had, in 1901, 65.7 per cent; 1902, 65.2 per cent; 1903, 63.1 per cent; 1904, 60.7 per cent; 1905, 60 per cent; 1906, 57.8 per cent; 1907, including the Tennessee Coal & Iron Co., 57.1 per cent; 1908, 55.9 per cent; 1909, 55.8 per cent; 1910, 54.3 per cent.

Of rails, the subsidiary companies of the United States Steel Corporation produced, in 1901, 59.8 per cent; 1902, 67.6 per cent.

The reason for the increase in 1902, I think, is found in the fact that the Lackawanna Steel Co. suspended business at its old location and built new works at Buffalo and therefore was down.

The CHAIRMAN. In that connection, if I mistake not, the Bureau of Corporations reports the Lackawanna Steel Co. as controlled by the United States Steel Corporation. What is the nature of that control?

Mr. GARY. The United States Steel Corporation has no interest and never has had. I think the chairman must be mistaken.

The CHAIRMAN. That is my recollection; I may be mistaken.

Mr. GARY. I think you must be. I do not think the Bureau of Corporations made that report.

The CHAIRMAN. Have you practically the same directorate?

Mr. GARY. No, sir; not at all. Mr. Mather, of Cleveland, is, I believe, a director of the Lackawanna Co., and during the last year has been elected a director of the United States Steel Corporation.

Mr. YOUNG. Is that Mr. Samuel Mather?

Mr. GARY. Yes, sir; but the companies have no relation of any sort or description, directly or indirectly.

The CHAIRMAN. I have a memorandum, and I was speaking from the memorandum and memory.

Mr. GARY. I think from the facts that the chairman must be mistaken.

The CHAIRMAN. Can you tell me how many directors you have in common with the Lackawanna Steel Co.?

Mr. GARY. Is Mr. Walters a director of the Lackawanna Co., Mr. Ream?

Mr. REAM. No, sir.

Mr. GARY. If Mr. Walters is a director of the Lackawanna Co., there are two on the United States Steel Co.'s board of 24, but if he is not, then there is only one, so far as I remember, and that is Mr. Mather.

Coming back to where I left off, of rails, the subsidiary companies of the United States Steel Corporation produced in 1903, 64.4 per cent; 1904, 54.3 per cent (probably the Lackawanna started up); 1905, 51.2 per cent; 1906, 50.2 per cent; 1907, including the Tennessee Coal & Iron Co., 52.2 per cent; 1908, 55 per cent; 1909, 57.4 per cent; 1910, 58.9 per cent.

The increase there probably resulted from the establishment of the rail mills at Gary, Ind. I presume that is so.

Of structural shapes, the subsidiary companies of the United States Steel Corporation produced in 1901, 62.2 per cent; 1902, 57.9 per cent; 1903, 60.3 per cent; 1904, 55.1 per cent; 1905, 54.6 per cent; 1906, 54.6 per cent; 1907, including the Tennessee Coal & Iron Co., 54.9 per cent; 1908, 47.1 per cent; 1909, 47 per cent.

For 1910 we have not the figures as yet; they are about the same or less, I would think.

Of plates and sheets of all kinds, including sheets for tinning, galvanizing, and other coatings, the subsidiary companies of the United States Steel Corporation produced in 1901, 64.6 per cent; 1902, 59.4 per cent; 1903, 59.9 per cent; 1904, 58 per cent; 1905, 57.4 per cent; 1906, 56.3 per cent; 1907, including the Tennessee Coal & Iron Co., 55.8 per cent; 1908, 51.9 per cent; 1909, 49.7 per cent.

We have not the figures for 1910 as yet.

Of black plate produced in tin mills, the subsidiary companies of the United States Steel Corporation produced in 1901, 79.8 per cent; 1902, 70.7 per cent; 1903, 77.6 per cent; 1904, 71.5 per cent; 1905, 67.9 per cent; 1906, 70.4 per cent; 1907, including the Tennessee Coal & Iron Co., 69.1 per cent; 1908, 67.6 per cent; 1909, 60 per cent; 1910, 52.9 per cent.

Mr. YOUNG. That is the plate for making the steel plate?

Mr. GARY. No, sir; produced in the tin mills, black plate.

Mr. YOUNG. That is the tinplate?

Mr. GARY. No, sir.

Mr. YOUNG. The plates for tinning?

Mr. GARY. Yes, sir. Some are sold as black plate. Some are produced for the tin mills.

Coated tin mill products, the subsidiary companies of the United States Steel Corporation produced in 1901, 73.1 per cent; 1902, 71.4 per cent; 1903, 76.4 per cent; 1904, 71.4 per cent; 1905, 71.3 per cent; 1906, 73.5 per cent; 1907, 72.6 per cent; 1908, 71.1 per cent; 1909, 61.9 per cent; 1910, 61.1 per cent;

Of black and coated sheets produced in sheet mills, the subsidiary companies of the United States Steel Corporation produced in 1901, 67.3 per cent; 1902, 58.1 per cent; 1903, 51.4 per cent; 1904, 52.8 per cent; 1905, 58.4 per cent; 1906, 52.7 per cent; 1907, 50.6 per cent; 1908, 41.3 per cent; 1909, 40.7 per cent; 1910, 38.9 per cent.

Of wire rods, the subsidiary companies of the United States Steel Corporation produced in 1901, 77.7 per cent; 1902, 71.6 per cent; 1903, 73.1 per cent; 1904, 71.5 per cent; 1905, 69.9 per cent; 1906, 71.7 per cent; 1907, 71.5 per cent; 1908, 67.9 per cent; 1909, 69.7 per cent; 1910, 67.3 per cent.

Of wire nails, the subsidiary companies of the United States Steel Corporation produced in 1901, 68.1 per cent; 1902, 64.8 per cent; 1903, 71.6 per cent; 1904, 68.2 per cent; 1905, 67.4 per cent; 1906, 65.2 per cent; 1907, 69.4 per cent; 1908, 67.6 per cent; 1909, 60.9 per cent; 1910, 55.5 per cent.

Of wrought pipe and tubes, seamed pipe, the subsidiary companies of the United States Steel Corporation produced in 1901, 57.2 per cent; 1902, 53 per cent; 1903, 54.6 per cent; 1904, 51.1 per cent; 1905, 54 per cent; 1906, 52.4 per cent; 1907, 53.3 per cent; 1908, 47.4 per cent; 1909, 43.7 per cent; 1910, 38.2 per cent.

Of seamless tubes, the subsidiary companies of the United States Steel Corporation produced in 1901, 82.8 per cent; 1902, 72.2 per cent; 1903, 64.1 per cent; 1904, 64.1 per cent; 1905, 60.8 per cent; 1906, 65.5 per cent; 1907, 66.4 per cent; 1908, 66.3 per cent; 1909, 61 per cent; 1910, 55.3 per cent.

Now, this includes the export business as well as the domestic business. The export business, as I will show, has been increasing, and if that should be eliminated the percentage of the subsidiary companies of the United States Steel Corporation on the average would be just about 50 per cent, perhaps slightly below, of the total production.

Mr. YOUNG. You mean of the domestic use?

Mr. GARY. Yes, sir. The relative percentage of the subsidiary companies of the United States Steel Corporation at the time of the organization on the average was about 60 per cent of the total. At the present time it is, as I have said, of domestic business about 50 per cent or a little below.

In the judgment of the finance committee of the United States Steel Corporation there was a question as to whether or not, with reference to some of the companies whose percentages, as you see by the figures, were much larger than others—there was a question as to whether or not in the public estimate at least the percentages would not be considered higher than they ought to be, and notwithstanding the local officers have asked for an increase of capacity in order to enable them to increase their capacity as rapidly as others outside of our companies were increasing theirs the policy of the United States Steel Corporation, as determined by its finance committee, has opposed that.

Mr. LITTLETON. How did you arrive at the figures you have submitted?

Mr. LINDABURY. Is there not something you have overlooked; did you state the percentage of the export trade?

Mr. GARY. I had not quite come to that. I want to refer briefly to the export business. I will say that our export business at the present time is considerably over 10 per cent of our total business, and based on present business conditions probably very much more than that.

These data are based upon actual tonnage produced, except as otherwise noted in the sheet as furnished by statistics published by the American Iron & Steel Association, supplemented by investigations and compilations made by the United States Steel Corporation. The American Iron & Steel Association is in no way connected with the American Iron & Steel Institute, which has been referred to. It has for a great many years, probably 20 to 40 years, been under the direc-

tion of Mr. Swank, of Philadelphia, who is well known in the iron and steel trade, certainly to most of the Members of Congress, because that has been the source of information relating to statistics in which the iron and steel business was involved, well recognized as an authority and, I suppose, strictly accurate in its figures, and, anyhow, we all accept his statement as reliable. He gathers these figures very carefully from all sources.

Mr. YOUNG. The chairman suggested that you had not included billets.

Mr. GARY. I have given steel ingots, and billets are next after ingots; they are semifinished steel. We do not sell any billets at all; I think very few, if any. I do not believe we are selling any whatever. We use them for utilization in finishing other steel products. I think the steel ingots cover the question. It seems to me that it does.

Mr. YOUNG. Mr. Littleton asked you how you had arrived at the figures.

Mr. GARY. I thought I had answered that. Of course, we have verified the figures as far as we possibly could from all the trade papers that we get. Of course, we know exactly our own production, and Mr. Swank gets our figures of production from us, as he desires, and gets them from all the others when and as he desires. That has been the custom for many years, from 20 to 40 years; I do not know how far back, because that is before my connection with the industry.

Mr. BARTLETT. Does Mr. Swank have any relation to the United States Government?

Mr. GARY. I do not know that he has, but I do know that he is often quoted by Congressmen, and I believe you can tell better than I at the present time. I have always understood that his books, his statistics, his information as to figures was accurate and dependable and relied upon. I never heard anything to the contrary.

Mr. YOUNG. I think he has published a good many bulletins under the supervision of the Geological Survey or for them?

Mr. GARY. That is likely; that is probably it.

I was going to say with reference to the export business as it seemed to be apropos just at this time. When the United States Steel Corporation was organized the export business, which was growing to some extent and which the Federal Steel Co. had endeavored to push, was, I think, considerably less than 300,000 tons a year as applied to all the companies which became subsidiary companies of the United States Steel Corporation. At the present time our United States Products Co., I think we call it, which has charge of our export business, is selling for export about 5,000 tons per day, or at the rate of about 1,500,000 tons or more a year. That business has been steadily increasing. Of course, we do not export, we can not export to the producing countries. We can not, for instance, sell rails in Germany or in Belgium, where they make rails, but we sell for delivery at the neutral ports of the world.

Mr. YOUNG. Do you sell any in England?

Mr. GARY. We sell a few girder rails in England. I should think, perhaps, largely in Scotland, and perhaps some, not many, in England.

The CHAIRMAN. Is it because they make rails in Germany or the fact they have a duty upon imported rails that keeps you from selling there?

Mr. GARY. That they have a duty on imported rails?

The CHAIRMAN. Yes, sir.

Mr. GARY. That is a fact. Germany, Belgium, France, Italy, and Austria are all very thoroughly protected, and then some of those Governments, perhaps all of them, are the owners of the railroads, and in every way they encourage their export business, as you know. The freight rates from the mills to the seaports are made very low, and every assistance in that way is given to the manufacturers to enable them to export. I gave you some of the figures the other day in regard to the growing of that business in Germany. That is very important, when you remember that in that country they export 50 per cent in round numbers of their steel and we export about 10 per cent—5 per cent, but that is growing. We are reaching the neutral ports, and I have hoped that by some plan of interchange of opinions we can, perhaps, bring about some equilibrium of trade whereby they will recognize the fact, as a matter of good business judgment, that where we can reach a neutral port at very much less cost than they they will allow us to go to that port. I would not like to have anyone think that I have tacitly admitted that we intend or have made any agreement or that we can do that. I know the contrary perfectly well, but I think the members of the committee if they take the pains to read what was said at our meeting last fall, and you have called for our proceedings and they are known—there is no secret; they must stand or fall on their merits—I think you will see that there is little disposition on the part of the Germans to recognize our rights from a neighborly business standpoint.

Mr. YOUNG. There was some insinuation and some testimony taken before the Ways and Means Committee when the tariff bill was under consideration that there was some sort of an understanding, a gentlemen's agreement between the United States Steel Corporation and large foreign manufacturers, as to a division of territory, not as to the neutral ports, but an understanding that each should keep out of the other's country. What have you to say as to that?

Mr. GARY. I do not know of any such understanding as that, Mr. Young. I do not believe there is any such understanding; certainly, there has never been with my knowledge or with my consent. I give you my best opinion. I believe that the only basis for that is that the Germans and Belgians, who are the most progressive, perhaps, and who can manufacture at the lowest cost, principally on account or the low cost of labor, recognize the fact that there might possibly be a retaliation from a business standpoint. I do not know that that is so; but certainly, so far as I know, there is no agreement whatever. I certainly would not permit such an agreement to be made. I would like, unless it is considered improper, to try to bring about the organization of an international association of meetings, which should bring about the interchange of friendly opinions as to what is for the best interests of all. Personally, I have no thought of going beyond that; beyond the rules of propriety or the rules of law or the interests of anybody. This export business, as we do it, is calculated, intended, and on a fair legal basis to bring to this country just as much money from foreign neutral countries or ports as we can possibly get. It seems to me that is for the interests of this country.

Mr. BARTLETT. I understand you to say that it is not a fact that there is an agreement, international in its character, with reference

to steel rails by which the manufacture of steel rails of this country and abroad, foreign countries, is parceled out, that there is no such agreement?

Mr. GARY. There is no such agreement, so far as I know; and I do not believe that there is any such agreement. If it could be shown to me that there was such an agreement and that we had any interest in it, I would make it my business to see that it was canceled.

Mr. BARTLETT. I used the word "international" in its scope.

Mr. GARY. That is what I am talking about.

Mr. BARTLETT. Is there any agreement, international in character, where if a manufacturer who sells steel rails invades the territory allotted, the matter is submitted to arbitration and the person violating the agreement is compelled to pay damages to the person in the territory invaded?

Mr. GARY. I never heard of it. If there ever was such an agreement I think it must have been a long time ago. I know it has been testified to here that there used to be agreements made and broken. I can not dispute that; I do not know about that. I think I know what is going on at the present time.

Mr. BARTLETT. If there was such an agreement, you would know of it?

Mr. GARY. I would think so; I certainly should think so because, as I suggested the other day, our subordinates and local officials may have done things sometimes that we would not approve of if we knew, that were contrary to our wishes and our instructions. I mention that because I have read in the newspapers within a day or two that there was some complaint concerning the Pennsylvania Railroad Co. and some docks at Cleveland in which one of our local railroads was a party. I do not know the merits of that controversy. I know that if there has been any violation of the law there it is directly opposed to the positive instructions we have given on that subject.

Mr. BARTLETT. What is that you are referring to now?

Mr. GARY. I read something in the paper and I have heard of it otherwise that there was some arrangement between the Pennsylvania Railroad, perhaps, and one of the dock companies at Cleveland for the division of charges at that dock. I believe the railroad company claimed it was open, aboveboard, and absolutely legal; and the Government claimed that it was illegal. I think the same charge is made against one of our local railroads with reference to another dock. That is a matter of litigation, but our instructions in writing many years ago concerning that question were very positive indeed.

Mr. BARTLETT. Mr. Farrell has been in charge for years of the export business of your company?

Mr. GARY. He has.

Mr. BARTLETT. And if anybody knew about it he would?

Mr. GARY. I would think so.

I will just add one statement with reference to this export business. Of the total export business of this country of iron and steel, I understand our company does 90 per cent.

Mr. YOUNG. Of the entire export business?

Mr. GARY. Yes, sir; of the entire iron and steel export business.

Mr. YOUNG. In answering Judge Bartlett's question you said something to the effect that your subordinates sometimes violate instructions, but in regard to a matter of that kind, an international

agreement, to use that phrase, would it be possible for any of your subsidiary companies to make such an agreement that would be effective at all unless it had the ratification and approval of the United States Steel Corporation?

Mr. GARY. "Possible" is a very comprehensive word.

Mr. YOUNG. Or a division of the territory?

Mr. GARY. I mean to say this: As I explained the other day, our subsidiary companies have complete organizations

Mr. YOUNG. Certainly.

Mr. GARY (continuing). And we have no immediate control over their conduct. We influence their conduct, however, and if it should be known to us that it was in opposition to our policy we would change the organization. That is, possibly an individual officer might make some arrangement without our knowing it, but in such case as that he certainly would not dare to try to represent the United States Steel Corporation. He would have no authority whatever to represent the United States Steel Corporation. I have never known of any subordinate doing that. I am more or less careful as to what I say and what opinions I express here, because you gentlemen will develop all the facts, and I do not want to be in the position of denying a thing that I am not absolutely certain about.

Mr. YOUNG. You stated the other day that you had dismantled a little plant at Troy because it was found that it was not practicable to work it with the ores from northern New York. Are there any other plants which the corporation has acquired and dismantled?

Mr. GARY. There may be some small plants shown to be not favorably located with high cost of production, resulting from excessive cost of assembly or distribution or manufacture. I can not tell you definitely. It is naturally good business policy for any company or individual, after experience and consideration it is determined to be economical, to concentrate their works and to improve them at the best location which saves cost of administration, etc. For instance, if we own two plants located at different places and one was more favorably located than the other and it was necessary for us to increase our capacity in order to take care of our business, we would naturally put in the improvements at the best location; but we have never, to my knowledge, bought any plant for the purpose and with the intention of suppressing competition and dismantling the plant and getting it out of the way. We have never done that under any circumstances. We have never had such a suggestion made in the company, and it certainly has never been done.

Mr. YOUNG. Are you prepared to state what plants you have dismantled and removed?

Mr. GARY. I can not, because I do not think of any; I do not remember any.

Mr. YOUNG. Except this one.

Mr. GARY. I do not wish to say that there may not be a few small plants, but I think a very few, if any. I might be in error about that. If we have dismantled any it has been for the purpose of rebuilding and building better at a more favorable location or else at the very same location. For instance, if you recall it, we dismantled the plant at McKeesport. We have entirely rebuilt the plant and have a very fine plant at that place. We have increased the capacity at that point very materially, perhaps, several times. The old plant gradu-

ally became dismantled and was substituted by a very much better plant in every way, better equipped, modern improvements, etc.

Mr. YOUNG. In buying any properties have you in any instance made it a condition, a part of the bargain, that the former owners should not enter into the business in competition with the United States Steel Corporation in any district or for any period of time?

Mr. GARY. I do not remember any such agreement to have ever been made.

Mr. YOUNG. Would you know if it had been made?

Mr. GARY. I would have known at the time, certainly. I do not remember any such agreement.

Mr. YOUNG. Can you state about what proportion——

Mr. GARY (interposing). Generally, as you know, when we have bought these very few little plants it was because the parties had failed in business and they importuned us to buy, and we have finally taken them over and utilized them to the best advantage, using them as an increase in production instead of building something new. They did not affect the general situation in any respect, but there has been very little of that.

Mr. YOUNG. Can you tell about what proportion of the known bodies of coking coal in the United States are owned by the United States Steel Corporation?

Mr. GARY. I do not suppose I could tell within many hundreds of thousands of acres. Our proportion would be very small. There is no difficulty about securing coking coal lands in this country; not a particle. I wish there was as much iron ore as coking coal. At one time it was supposed that the Connellsville field, which was part of the Pittsburg vein and was rather small in area, was the coking coal property of this country and about the only coal fit for coking, but that time has gone by long since, as I explained the other day.

Mr. YOUNG. Have you at hand any figures, or if you have not, could you point us to a place where we could get them, showing the prices, we will say, at Cleveland of iron ore running back a great many years, say, to the seventies, and down to the present time, and in the same way the prices of steel products at the mills running through a long number of years before the United States Steel Corporation was organized and afterwards?

Mr. GARY. I will endeavor to procure such a statement and file it with the committee. I believe we can get it.

Mr. YOUNG. I think it might be useful to us.

Mr. GARY. This just occurs to me, if I may interject; it has no bearing on your inquiry. We were talking about the price of rails being about $28, and looking into the record I find that with the exception of one year or two years, I have forgotten just the years of depression, the average price of steel rails for 10 years or more before the United States Steel Corporation was formed was about $28, and perhaps a little more.

Mr. BARTLETT. The price had been down in 1898 and 1899?

Mr. GARY. I think 1897 and 1898 should be excepted.

Mr. BARTLETT. The price was lower in 1899?

Mr. GARY. I hardly think so. You may be correct, but I think not.

Mr. BARTLETT. The price was about $18.50 in 1899.

Mr. GARY. I think you are mistaken.

Mr. BARTLETT. I know nothing except what I get from the testimony of witnesses.

Mr. GARY. I think, perhaps, I know what was in the mind of the witness. Usually rails for a certain years or season are sold the fall before. Now, the price of rails in the fall of 1898, following the organization of the Federal Steel Co., as I remember, was about $18 a ton, and they were sold for the season of 1899, but in 1899 I think you will find that the price of rails for the following season went up to $33 or $35.

Mr. BARTLETT. I have the testimony of Mr. Schwab before the Ways and Means Committee in 1908.

Mr. GARY. That was the way, I am very sure, and I will give you the facts. I do not know what the explanation was.

Mr. BARTLETT. While the price was $28 a ton in 1899, 1900, and 1901, a number of rails were sold at less than that for export?

Mr. GARY. Yes, sir. I went over that subject the other day.

Mr. BARTLETT. I want to call your attention to a particular instance. In 1901 a large number of rails were sent to Vladivostock and to the East for construction of the Trans-Siberian Railroad, and was not the price $21.80 a ton at Baltimore?

Mr. GARY. I do not know. I should doubt it very much, although I do not know. As I have stated here, sometimes export rails have sold considerably lower than the domestic price, and I gave the reasons for that.

Mr. BARTLETT. Was Mr. Schwab the president of the United States Steel Corporation?

Mr. GARY. He was.

Mr. BARTLETT. He was in 1901?

Mr. GARY. He was.

Mr. BARTLETT. And he would know about that?

Mr. GARY. I should think he would.

Mr. BARTLETT. He made this statement before the Ways and Means Committee:

Mr. HILL. Now, in 1901, wnen you were president of the United States Steel Corporation, shiploads of rails were sent to Vladivostock and to the East for construction of the Trans-Siberian Railroad?

Mr. SCHWAB. Quite so.

Mr. HILL. Have you any objection to stating what the price was?

Mr. SCHWAB. No. If I knew, I would very gladly state. I can probably get the information. My recollection is——

Mr. HILL. I want to say, frankly, the prices in Baltimore were on the left-over end of an Argentine contract from some previous years—an unfinished contract.

Mr. SCHWAB. I think the price was about $21 in Baltimore, was it not?

Mr. HILL. There were two shipments, one at $21.80 and one at $18.60.

Mr. SCHWAB. My best recollection was that it was about $21. For years I have exported great quantities of rails, and similar things during that period, at low prices, without profit, or at least with very little profit, because it enabled me to make my home product just that much cheaper. That is an old argument, and I do not need to go into that, but it is a true one.

Mr. GARY. That all may be true. I can not deny it. I do not think the rails were sold by any of the subsidiary companies of the United States Steel Corporation. If they were sold at that price, it must have been by some of the other rail manufacturers, and as the testimony seems to show the rails were shipped from Baltimore, quite likely the Maryland Steel Co. sold them for whatever the price may have been. I presume they were delivered under an old contract

made some time before; at a time quite likely when the company was very desirous of selling at almost any price, as Mr. Schwab suggests.

Mr. BARTLETT. Do you know Mr. W. G. Raoul, who used to be president of the Central of Georgia Railroad and also at one time president of the Mexican Central Railroad?

Mr. GARY. I do not know him.

The CHAIRMAN. I have here an exhibit from page 23 of this report, statistics of the American Iron Trade for 1901, American Iron and Steel Association's report, of Philadelphia, 1902, and that report gives steel rails at mills, Philadelphia, 1897, $18.75.

Mr. GARY. What page is that?

The CHAIRMAN. I am quoting from a hearing before the Committee on Rules, page 23, quoting from the American Iron and Steel Association's report, statistics of the American iron trade for 1901, and it gives steel rails at mills, Pennsylvania, 1897, $18.75.

Mr. GARY. Those were probably rails sold in the fall of 1898 for delivery in 1899.

The CHAIRMAN. It says "1897, $18.75 a ton."

Mr. GARY. Yes.

The CHAIRMAN. And 1898, $17.62 a ton.

Mr. GARY. Yes. I presume that is right. I presume at that time there was a disposition on the part of the Carnegie Steel Co. to sell rails at a very much less cost than any one else could make them, and I doubt if there was any profit to speak of on the part of the Carnegie Co. Now, if you will follow those figures back, as I have said——

The CHAIRMAN (interposing). What was the date of the organization of the United States Steel Corporation?

Mr. GARY. 1901. What page have you? You have not the book itself before you?

The CHAIRMAN. I am quoting from a memorandum.

Mr. GARY. I have the book itself here, Mr. Chairman.

The CHAIRMAN. Statistics of the American iron trade for 1901, American Iron and Steel Association's report.

Mr. GARY. Now, Mr. Chairman, if you will take the statistics of the American and foreign iron trade for 1900, annual statistical report of the American Iron and Steel Association, page 27, you will find that in 1891——

The CHAIRMAN (interposing). I only have a memorandum here.

Mr. GARY. I will give you the figures. In 1891, rails $29.92.

The CHAIRMAN. When was that?

Mr. GARY. 1891. In 1892, $30; 1893, $28.12; 1894, $24; 1895, $24.33; 1896, $28. Then they go down as you have stated.

The CHAIRMAN. In 1897 the price was $18.75?

Mr. GARY. Yes; and 1898, $17.62. Then in 1899, $28.12.

The CHAIRMAN. And in 1900, $32.29?

Mr. GARY. In 1900, $32.29; that is right. Now, if you will omit those two years, you will see that the average is about $28; and then, preceding that, going from 1890 way back to 1867, you will see the prices run from $31.75 in 1890 to $94.25 in 1874, and then very much higher than that, to about $166. But I do not think that constitutes very much of a basis, because the cost of production in those days was very high.

Mr. YOUNG. Judge Gary, right in that connection, these two years when there was such a great cut in steel rails, is it not true that iron ore was selling for very little over $2 in Cleveland?

Mr. GARY. Yes; it is. I believe the Illinois Steel Co. bought its ore that year for about $2.45 a ton delivered at the furnaces in Chicago. The whole business of the country, as you know, was utterly demoralized.

Mr. YOUNG. I happen to remember those years very well, because our people were out of employment and in straits.

Mr. LINDABURY. What year was that?

Mr. YOUNG. 1896 and 1897.

Mr. LINDABURY. That was the soup-house year, was it not?

Mr. BARTLETT. That was the poor man's panic, and the panic of 1907 was the rich man's panic.

Mr. GARY. Had you finished your question, Mr. Young?

Mr. YOUNG. I had finished my question, but I have one or two more questions to ask. Now, the chairman has asked you if you could state about what proportion of the known bodies of iron ore in the Lake Superior region was controlled by the independents, as we call them, which would not have to be shipped over some road controlled by the United States Steel Corporation at present?

Mr. GARY. Well, it is a very large proportion. I am very sure that there was shipped over the Hill roads, so called, a very large percentage of the total ore shipment in the Lake Superior district, and I believe there was about as much went over his road as over the two roads which we controlled. But that may be too large, but certainly it was larger than either of our roads. That is my recollection, but of course I may be mistaken.

Mr. YOUNG. Can you state what the tonnage of iron ore shipped over the Duluth, Mesaba & Northern was in 1910?

Mr. GARY. I can not without looking at the figures, but my idea would be about 25,000,000 or 30,000,000 tons. My assistant tells me those figures are altogether wrong. I had overlooked the other district for a moment. Probably 15,000,000 tons would be nearer. Quite likely Mr. Gayley, when he goes on the stand, can give you those figures. Not over 15,000,000, anyhow, I would say.

The CHAIRMAN. In reference to those roads, you testified about that before the Ways and Means Committee, did you not, Mr. Gary?

Mr. GARY. I presume I did; I have no doubt of it.

The CHAIRMAN. I believe you testified on December 18, 1908, before the Ways and Means Committee?

Mr. GARY. Quite likely.

The CHAIRMAN. I will ask you, in that connection, if you were not asked by Mr. Cockran:

> You had no advantage whatever in transportation unless you should abuse your duty as a common carrier?
>
> Mr. GARY. No.
>
> Mr. COCKRAN. Of course, you could give yourself an advantage?
>
> Mr. GARY. Not under the present régime.
>
> Mr. COCKRAN. I am mighty glad to hear that. That is the first adequate testimony I have heard as to the efficiency of the present inspection.
>
> Mr. GARY. The Interstate Commerce Commission and the railroad commissions of the various States—take Minnesota, for instance—are very strict in regard to the matter. There would not be much chance for us to discriminate against our neighbors in the matter of transportation.

Mr. GARY. Well, of course, that is true. I do not know whether that is in my exact language or not, but certainly our railroads could not charge one price to one shipper and another price to another shipper.

The CHAIRMAN. You could charge an exorbitant price to all shippers, which would be nothing to you and would mean money to them.

Mr. GARY. No, we could not; because the Interstate Commerce Commission would not permit it. We have to make reports to the Interstate Commerce Commission all the time. We have made them for a great many years. So far as I know, there has been no complaint. They are thoroughly familiar with our affairs, exactly what rates we charge, and all about it. If any shipper is aggrieved, he can make complaint to the Interstate Commerce Commission. I do not see that there is any possibility of our making excessive charges.

The CHAIRMAN. You speak here of the State of Minnesota preventing it.

Mr. GARY. I probably had in mind, as I then believed, quite likely, at least my memory did not serve me, that the railroads in Minnesota were exclusively under the control and direction of the State commission. I had forgotten that the ore was billed from the mines to the Lake Erie ports, which would make it interstate commerce business. My attention is now called to a report from our local people that notwithstanding the Interstate Commerce Commission has jurisdiction and authority to fix and control these rates or to control them, I will say—I am not trying to discuss any legal question—the Minnesota statute gives to the State railway and warehouse commission authority to intervene in rate suits pending before the Interstate Commerce Commission and to assist in the prosecution of a case. So I was partially right in saying that the State authorities could intervene and protect, if necessary.

The CHAIRMAN. Have not the State authorities of Minnesota attempted to prevent the excessive charges on these roads, making sometimes as much as 150 per cent a year with four or five million dollars surplus on a road capitalized at four or five million dollars? And did not the United States Steel Corporation demur to the jurisdiction of the State railroad commission of Minnesota on the ground that they were interstate carriers?

Mr. GARY. I can not answer that question.

The CHAIRMAN. Well, I hold in my hand——

Mr. GARY (interposing). Apparently that would be the law. The State commission could not fix a rate, but it has the right to intervene before the Interstate Commerce Commission and prosecute, as I understand it.

Mr. BARTLETT. The Supreme Court of the United States in the Minnesota case upheld that contention—that is, the right of the railroad to do that.

Mr. LINDABURY. To do what?

Mr. BARTLETT. The United States Supreme Court had this statute before it, and of course upheld the right of the railroad to resist any such action on the part of the State commission.

Mr. LINDABURY. Of course the State commission could not control interstate commerce.

The CHAIRMAN. What I was getting at is the fact that this matter has not apparently met the approval of the State of Minnesota. or

rather that the State of Minnesota has not by a failure to act tacitly consented to these charges. Now I hold in my hand a communication dated June 5, 1911, from Mr. T. J. Knox, of the firm of Knox & Faber, attorneys, of Jackson, Minn.

Hon. AUGUSTUS O. STANLEY,
Member of Congress, Washington, D. C.

DEAR SIR: I cut the inclosed clipping from the Minneapolis Journal of May 5—

The clipping inclosed was in reference to Judge Gary's testimony, and I will read it:

At yesterday's hearing Judge Gary was questioned as to the lease of the Minnesota iron-ore lands to the Steel Corporation, and also as to the transportation facilities from the mines to Duluth and Two Harbors. In the course of Judge Gary's testimony, Chairman Stanley indicated that, while this was strictly intrastate traffic and therefore subject only to the laws of Minnesota, it should be inquired into by the committee, and it is for this purpose that Mr. Hill will be invited to testify.

At that time you were under the impression that it was an intrastate road?

Mr. GARY. Yes.

The CHAIRMAN. Now, I will ask you, Judge Gary, if the United States Steel Corporation, although every rail of this road is within the corporate bounds of the State of Minnesota, did not bill its ore from the mine to the Lakes in such a way as to make it, from its billing, interstate, although physically your roads were intrastate?

Mr. GARY. Well, my information now is that the ore is billed that way. Not for the purpose indicated by the chairman, it seems to me, because——

The CHAIRMAN. I am indicating no purpose, Mr. Gary?

Mr. GARY (continuing). We could not escape anything by so doing.

Mr. BARTLETT. The fact whether it was an interstate shipment or not would not be determined by what your purpose might be, but by what you actually did.

Mr. LINDABURY. I think Judge Gary misunderstood the chairman.

The CHAIRMAN. I meant to impute no motive to him. Did you not bill it through notwithstanding the road was intrastate?

Mr. LINDABURY. That is true of every railroad. Every railroad must be physically in a State.

The CHAIRMAN. Some railroads extend from one State to another. I am not splitting hairs. The B. & O. has rails in many States, but your road has not a rail, as I understand it, nor a spike nor tie outside of the State of Minnesota.

Mr. LINDABURY. No railroad has any charter that crosses a State line. That is what I mean.

The CHAIRMAN. But their engines and cars do cross a State line, but in this case the engines and cars do not. Now, to get to the point, this letter states:

Hon. AUGUSTUS O. STANLEY,
House of Representatives, Washington, D. C.

DEAR SIR: I cut the inclosed clipping from the Minneapolis Journal of May 5.

By an examination of the railway commission's report for the State of Minnesota for the year 1901, you will find that the railroads carrying ore from the mines to Two Harbors and Duluth, in a hearing before the State railroad commission to inquire into the reasonableness of their rates, claimed that the carrying of ore from the mines to the docks at Two Harbors and Duluth was interstate commerce and for that reason the State railway commission had no jurisdiction, had no right to inquire into the

reasonableness of their rates, and the State railway commission so held and such is now the rule, and as a consequence no rate has been put in by the State railway commission for the carrying of such ore.

The subject is well worth your inquiring into.

T. J. KNOX.

Now, I do not wish to differ from the witness at all, but I would suggest that Judge Gary verify his impression by some substantive proof that the Interstate Commerce Commission has investigated these roads, because I am advised by very high authority that no complaint having come to the Interstate Commerce Commission, because you have shipped to concerns that are on the most amicable relations with you—no complaint having come before the Interstate Commerce Commission, I am advised that the Interstate Commerce Commission thus far is oblivious of the rather anomalous situation existing in the State of Minnesota between the Mesaba Range and the Lakes. I do not mean to question the accuracy of your statement, but I think you have been ill-advised if you are under a different impression.

Mr. GARY. I do not think there is any disagreement between the chairman and myself whatever. In the first place, you must remember that a very large proportion of the shipments over our railroad, so called, come from our own mines, and is our own business. In the next place, while it is probably true, as the chairman suggests, that there has never been any complaint made, and therefore never any hearing on the merits before the Interstate Commerce Commission, yet our reports have been filed. The knowledge is all there, and inasmuch as the shippers could complain, and also inasmuch as under the Minnesota statute, the State of Minnesota and the authorities of the State of Minnesota, represented by the Attorney General, might intervene or might, perhaps, institute proceedings before the Interstate Commerce Commission, there is no reason why the whole question should not be and has not been considered by some one on its merits. If not, quite likely the investigation by the chairman will have that result.

The CHAIRMAN. The chairman is not making any investigation.

Mr. LINDABURY. The chairman might be allowed to intervene.

The CHAIRMAN. The chairman is not personally interested in this matter.

Mr. LINDABURY. That was meant jocosely.

The CHAIRMAN. I know that it is all said good-naturedly. The chairman is the best-natured man on earth.

Mr. LINDABURY. That we have discovered.

The CHAIRMAN. And has no personal interest or pique in this matter.

Mr. GARY. Certainly not.

The CHAIRMAN. But the situation at this particular point is unique to the chairman, and the chairman is of the opinion, without expressing any opinion as to the right or wrong in this matter, that the anomalous situation existing there requires at least a careful inquiry on the part of the chairman, and would invite a careful inquiry on the part of the Interstate Commerce Commission.

Mr. LINDABURY. Perhaps the chairman is not aware that a complaint is now pending before the Interstate Commerce Commission against the Great Northern, which charges the same rate for similar

service; that the Minnesota commission was appealed to by the complainant to intervene in that case, and after investigation it refused to do so. So that the proceeding is now going on before the Interstate Commerce Commission at the instance of the gentlemen who instituted it, and without the cooperation of the State of Minnesota, and after its refusal to cooperate.

The CHAIRMAN. Is the point at issue in the Great Northern the specific rate charged by the Great Northern between the Mesaba Range and Two Harbors?

Mr. LINDABURY. Well, I only have general information on this matter.

Mr. GARY. I think the circumstances are practically the same, Mr Chairman.

Mr. LINDABURY. So I understood.

The CHAIRMAN. I am not advised, after a most diligent inquiry, whether this particular rate has been charged.

Mr. LINDABURY. It is my information it has been.

Mr. GARY. The Duluth, Mesaba and Northern has a terminal at Duluth and another at the Mesaba Range, and the Great Northern has a road covering the same territory running practically parallel and the rates are the same, and the conditions, therefore, I think, are applicable to one to the same extent they are to the other.

The CHAIRMAN. There must be, Judge Gary, either a similar condition demanding these rates, conditions upon which you have thrown no light and upon which I have none, or there must be some kind of an understanding between your companies and the Great Northern. I am not charging that there is any, but one of the two conditions must exist.

Mr. LINDABURY. Mr. Chairman, if you will pardon me, you know you have under subpœna Mr. Gayley, who had special charge of these matters, and he probably can give you more light on this matter than any other witness.

The CHAIRMAN. I will be delighted to hear Mr. Gayley at any time.

Mr. LINDABURY. I only meant to suggest that he is the man who has first-handed information.

Mr. YOUNG. Judge Gary, who are these independent shippers over the Mesaba and Northern road?

Mr. GARY. Well, I do not know that I could give the names of many of them. Price McKinney, of Cleveland, is one firm. They are large shippers.

Mr. YOUNG. The firm of Carrigan, McKinney & Co.?

Mr. GARY. Yes; that is the firm name and Price McKinney is the name of one member of the firm. They have no interest in us and we have no interest in them. They are absolutely independent.

Mr. YOUNG. They are men of wealth and standing, are they not?

Mr. GARY. Yes. W. P. Snyder is another one. He is a man of large wealth and has no interest in our companies and we have no interest in him.

Mr. YOUNG. Judge Burk is one of the members of the firm of Carrigan, McKinney & Co., is he not, and one of the great lawyers in the West?

Mr. GARY. He was. I am inclined to think he died comparatively recently.

Mr. LINDABURY. There are some 15 of them, I understand, Mr. Young, and they are all important men.

Mr. GARY. These shippers over our road are men of wealth and influence and have no interest in our company nor we in them, and of course the natural inference would be, if they had been imposed upon, if the rates are too large or are unreasonable, they are fully able to take care of themselves and make complaints and prosecute their complaints. I have given the chairman all the information I personally have, but I can state from our standpoint there is no arrangement of any sort or description between ourselves and Mr. Hill to maintain rates. I do not know that there has ever been any conversation on the subject. He certainly has never had any with me.

Mr. YOUNG. And those rates have existed for a great many years, have they not?

Mr. GARY. Yes; long before Mr. Hill's road was built there.

Mr. YOUNG. And long before the United States Steel Corporation was organized?

Mr. GARY. That is true.

Mr. YOUNG. I think I am through.

Mr. GARY. I wanted to say a word or two, and only a very few words, with reference to our policy and conduct since we were organized which I think is germane to the inquiry of Mr. Young. In the first place, our policy has been publicity. We have endeavored from the beginning to publish facts and figures. That is a well-recognized policy. We believe, and I think it is true, that enforced publicity with regard to the business of a corporation is the most important of anything that can be suggested to secure and mantain fair conduct of business and protection to everyone. I do not say that is all that is essential, but I believe that is the first essential. And we started out with that in mind and have kept it up. Perhaps we have not given all the facts this committee will elicit, but certainly have given many of them. Then, next, there has been a disposition on our part away from any possible monopoly of any line of business or the attempt to exercise any monopoly; and, while we have sometimes been criticized by our stockholders for allowing the independents, so called, to increase production faster than we have increased production, yet it is because of that conclusion there have been these percentages of change as I have given. And so, with respect to the treatment of our competitors, it has not been our effort to try to keep prices up beyond reasonable prices. We have never suggested any increase of prices above a reasonable point. The only reason we have attempted to maintain what I call the existence of reasonable prices, or at least the prevention of sudden and wide fluctuations, is that we feared the results which have been reached by some others who were acting under a different policy, and who have secured a very large percentage of their business by intentionally or unintentionally driving competitors out of the trade. We have attempted to avoid that as good business policy, but particularly because it seemed to us our motives might be better understood when these questions of monopoly and restraint of trade were under consideration. Then, we have from the start attempted to take our employees into consideration, particularly. They have been uppermost in our minds. I only speak of facts.

I am not saying we have done any more than our duty, but we have always kept wages up as high as we thought we possibly could, making it certain we paid our men as much c · more than others who

had similar services performed for them. We have refused to decrease wages when our competitors decreased wages, as you know. Our wages are higher at the present time than they were when we started. We have had a bonus and a stock subscription plan, which has resulted in material benefit to our people. We have introduced and have in force a pension plan and also a voluntary relief plan; that is, a plan for the payment to injured people, or in case of death to their widows and children, certain sums of money regardless of any question of legal liability.

Mr. BARTLETT. May I ask you a question there?

Mr. GARY. Certainly.

Mr. BARTLETT. How many employees have you?

Mr. GARY. All together?

Mr. BARTLETT. Yes.

Mr. GARY. We have had as high as 236,000 men, I think. It depends upon the business, of course. We endeavor to keep just as many employed as we possibly can.

Mr. BARTLETT. What is the general average number of employees; about 146,000?

Mr. GARY. No; it is very much more than that. It would be very low when it was down to 175,000.

Mr. BARTLETT. Now you spoke about your employees' stock subscription and bonus, and you state in your last report the amount of subscriptions received by 26,363 employees from your stock subscriptions.

Mr. GARY. I have no doubt that is correct.

Mr. BARTLETT. That number out of 200,000?

Mr. GARY. Yes; quite likely. We have improved our conditions at the mills carefully and regularly, the sanitary conditions for our people. Where we have stores, and we have not very many, we have made it certain that the goods were sold to our men at prices less than they could purchase the same things elsewhere. Recently, there have been investigations made in regard to our sanitary conditions by Government officials, and those reports will be published, and therefore I do not care to say anything about that. The reports, undoubtedly, will be justified by the facts. We have taken especial pains, at very large expense, to protect our workmen against the results of accidents. We spent last year, I think, $1,000,000 in putting in protection, improvements which were calculated to prevent accidents. We have done everything we can in that direction, and we are on a very good footing with our men, I think.

Mr. BARTLETT. Not only your humanity, but your own selfish interests dictate those things?

Mr. GARY. That is it, exactly. I agree with that fully. I believe it is good policy, and we might carry that a good deal further into many of our departments, that honesty is good business policy. Of course, we have not overlooked the best interests of our stockholders.

Mr. BARTLETT. And it is to the best interests of your stockohlders to have as efficient employees as you possibly can?

Mr. GARY. It is.

Mr. BARTLETT. And those employees can not be as efficient as they should be unless the surroundings in which they are situated to do the work are the best possible obtainable?

Mr. GARY. Judge Bartlett, that is exactly right. We have about 100,000 stockholders, in round numbers. We consider ourselves trustees. We have no right to overlook their interests, and all I have said in regard to our management we think is for the best interests of the stockholders, because it is right and because we have endeavored to keep within the lines of the law; and just as Judge Bartlett suggests, I do not think it would have been very good business management on our part, and I do not think we would have been representing the stockholders of the United States Steel Corporation, if we had made a loan of $30,000,000 or $40,000,000 of the bonds of the United States Steel Corporation to the Tennessee stockholders and taken as security the stock which they had, without giving us any chance to take over the property, and invest millions of our money and try to work out of it. I think that would have been very poor business management.

Mr. BARTLETT. In other words, the transaction of the Tennessee Coal & Iron Co. was not altogether pure patriotism?

Mr. GARY. The governing motive was, as I have stated, Judge Bartlett. But, at the same time, we have no right to entirely ignore or overlook the intersets of our stockholders in protecting them so far as we could. And I would suggest to Judge Bartlett or any other good lawyer the question whether under those circumstances, believing as we did the stock of the Tennessee Coal & Iron Co. was not worth more than sixty or sixty-five, at the outside, the directors would have been justified in making a loan to the holders of Tennessee stock for the amount of money which was involved, instead of accepting the proposition which the stockholders of the Tennessee Co. themselves insisted upon, namely, to buy their stock and take the property and try, in the course of years, to work out the money which we had invested, and which belonged to the stockholders of our corporation. We have not done that yet, and it will take us a long time to do it, and we will have to invest a great deal of money to do it. I only state to you the governing motive in the minds of the directors, with a view of trying to ask the committee to put themselves in our places at that time under the circumstances.

Mr. BARTLETT. That is always a pretty good rule, to put yourself in the other man's place.

Mr. GARY. I think that is the only fair way to look at it.

Mr. BARTLETT. Now, as long as you have brought up the matter of the purchase of the Tennessee Coal & Iron Co., I desire to ask you a question or two as to that matter. Have you seen this morning's New York World?

Mr. GARY. Yes.

Mr. BARTLETT. Have you read the editorial headed "Let the record tell the story?"

Mr. GARY. I believe I did.

Mr. BARTLETT. I asked you yesterday if the Morse and Heinze failures had occurred before the purchase of the Tennessee Coal & Iron Co?

Mr. GARY. And I said I believed they had.

Mr. BARTLETT. Referring to this matter of the panic and its different stages, I notice from the New York World this morning the following:

On October 19, 1907, it was announced that Charles W. Morse had resigned from all the banks and trust companies with which he was connected.

Can you verify that statement as to time?

Mr. GARY. I can not give any of those events in chronological order.

Mr. BARTLETT. I will ask you whether it is correct or not that that had occurred before your purchase?

Mr. GARY. I feel certain it had.

Mr. BARTLETT (reading):

On October 20, the clearing-house committee stated that the Heinze-Morse-Thomas interests had been eliminated from the banking situation. The committee issued the following statement: "A committee of the clearing-house have examined the several banks of the association that have been under criticism, and, finding them solvent, the clearing-house committee have decided to render them such assistance to meet their deposits as the committee may think necessary."

Do you remember that statement being made and published?

Mr. GARY. I do not remember that.

Mr. BARTLETT. You do not dispute it?

Mr. GARY. No; I do not deny it.

Mr. BARTLETT. That is alleged here to have occurred on October 20. Now, what effect would that statement have had upon——

Mr. GARY (interposing). I can not answer that. I presume the facts which have been stated in the editorial in the World are true. I have no doubt of it, but I do not know that.

Mr. BARTLETT. When they quote this and give the dates, you would think that would be accurate?

Mr. GARY. I was going to say that I am inclined to think that the writer of that editorial has left out of consideration a great many other things that surrounded the conditions in New York at the time.

Mr. BARTLETT. Do you know who some of the prominent members of that committee were at that time?

Mr. GARY. I believe Simmons was the president, and I of course know a great many of them, but I do not remember now.

Mr. BARTLETT. Was Mr. Morgan or any of his associates members of the clearing-house committee?

Mr. GARY. No; I do not think so. I think the members of the clearing-house committee must be officers of some of the national banks. That is my impression, and of course, none of the Morgan people were officers in any national bank.

Mr. BARTLETT. But it is a committee which is composed of very prominent financial gentlemen who are intrusted with very grave responsibility.

Mr. GARY. There is no doubt of that.

Mr. BARTLETT. And any statement made by them would be received by the financial world of New York as being reliable and accurate.

Mr. GARY. Any statement of fact.

Mr. BARTLETT. I mean any statement of fact.

Mr. GARY. Certainly. If they assumed to know a fact, I have no doubt they would state it accurately. They might be mistaken in any opinion at any time, as all of us may be.

Mr. BARTLETT. Of course; that is true.

October 21 the National Bank of Commerce, controlled by Thomas F. Ryan, suddenly notified the other clearing-house banks that it would cease to act as clearing-house agent for the Knickerbocker Trust Co.

Do you remember that?

Mr. GARY. I remember that circumstance.

Mr. BARTLETT. And do you remember the date?

Mr. GARY. I do not remember the date.

Mr. BARTLETT. But it was before your purchase of the Tennessee Coal & Iron Co.?

Mr. GARY. I do not remember. I would think if it is so stated in the World that it is accurate, but I have no recollection now.

Mr. BARTLETT (reading):

October 22 there was a run on the Knickerbocker Trust Co., which closed its doors, and the panic was in full swing. That evening J. Pierpont Morgan said:
"We are doing everything we can as fast as we can, but nothing has yet crystallized."

Do you recall any such statement?

Mr. GARY. I do not remember that.

Mr. BARTLETT (reading):

October 23 something "crystallized," for the New York Times printed a statement inspired by George W. Perkins——

He is Mr. Morgan's partner, is he not?

Mr. GARY. He was at that time.

Mr. BARTLETT (reading):

A statement inspired by George W. Perkins, one of Mr. Morgan's partners, saying: "The chief sore spot is the Trust Co. of America."

That is Mr. Oakleigh Thorne's company?

Mr. GARY. Yes. Is it certain that Mr. Perkins inspired such a statement?

Mr. BARTLETT. I do not know.

Mr. GARY. I would doubt that, Judge Bartlett, but I do not know.

Mr. LINDABURY. If you will permit me, I will say that Mr. Perkins told me that was not true.

The CHAIRMAN. Ordinarily I would be somewhat impatient of suggestions in the way of statements of fact from counsel unsworn at the time a witness is testifying, and I am not impatient in this case because of my desire to be courteous and my extreme unwillingness to even make a suggestion; but I know that Mr. Lindabury is such an eminent lawyer that he will not interpose a statement of fact in the midst of the testimony. I know it is a mere inadvertence.

Mr. BARTLETT. I do not object to it at all.

Mr. LINDABURY. That is not exactly so. The reason of it was that a statement in a newspaper was being read, and I thought it was only fair to state to the committee that the gentleman to whom that statement is attributed states that it is erroneous.

Mr. BARTLETT. That is all right. We will have him here.

The CHAIRMAN. I know that the gentleman meant no discourtesy to the committee, but the rules of the committee do not permit a statement of that kind, no more than such a statement would be allowed in a court of justice.

Mr. BARTLETT. I am quite sure that he has not interrupted me at all.

Mr. GARY. We must admit that the chairman has been very courteous and very patient.

The CHAIRMAN. I thank you, sir.

Mr. BARTLETT. You do not remember that any such statement appeared in print at that time?

Mr. GARY. I do not remember that, but, of course, I can not deny it.

Mr. BARTLETT. There was a run upon the Trust Co. of America about that time. You recall that?

Mr. GARY. I do not remember about the time. I know there was a run which lasted for a long time.

Mr. BARTLETT. And you remember that about that time the Secretary of the Treasury, Mr. George B. Cortelyou, undertook to relieve the situation by depositing with the banks some $25,000,000?

Mr. GARY. I remember that circumstance.

Mr. BARTLETT. This paper says:

> This same day George B. Cortelyou, Secretary of the Treasury, dumped $25,000,000 of Government money into Wall Street.

We will say in the banks of New York, and not in Wall Street [continuing reading]:

> October 24 the Morgan-Rockefeller interests advanced $60,000,000 to steady the stock market.

Do you know anything about that?

Mr. GARY. I know that Mr. Morgan and his associates deposited large sums of money. I do not think the Rockefellers deposited any. But I may be mistaken about that.

Mr. BARTLETT. But somebody did?

Mr. GARY. Yes. I know perfectly well that Mr. Morgan and others did supply large sums of money; and I know quite well that the United States Steel Corporation had large sums of money in the banks which we left there to protect the situation.

Mr. BARTLETT. Do you know anything about what effect that had on stocks?

Mr. GARY. I do not. I do not know much about the stock market, Judge Bartlett, I must say.

Mr. BARTLETT. It has been testified here that Mr. Clark Williams was the State superintendent of banks in New York. Do you know whether he made any statement about that time?

Mr. GARY. I do not.

Mr. BARTLETT. This article claims he did.

Mr. GARY. I had forgotten who was the examiner, but it was stated here yesterday that Mr. Clark Williams occupied that position.

Mr. BARTLETT. This article states that the superintendent gave out a statement saying that the situation was improving. The trust company continued to pay its depositors, did it not, and did not close its doors?

Mr. GARY. It did not.

Mr. BARTLETT. Now, do you remember a statement that the President published about that time, in which he complimented the Secretary of the Treasury on the admirable way in which he had handled the panic?

Mr. GARY. I do not remember that, Judge Bartlett. It may be true. I can not deny it.

Mr. BARTLETT. Now, is it not a fact that the statement from the President appeared on October 25 or about that time?

Mr. GARY. I can not answer that from recollection.

Mr. BARTLETT. And before you purchased the Tennessee Coal & Iron Co.?

Mr. GARY. I can not answer that question, Judge Bartlett. It is worthy of consideration in that connection that every prominent banker in New York City at that time, knowing the situation, made as favorable statements to the public as they felt they could possibly

make in view of the facts, for the reason that it was the endeavor to allay the public fear and thereby produce an effect upon these people who were crowding around the bank, vociferously demanding their money.

Mr. BARTLETT. I understand that; but I am trying to fix up the chronological order of events. Now, do you remember whether or not about that same time, on the 26th of October, there appeared along with the President's statement of congratulation on the Secretary of the Treasury, also congratulations and approval of the conservative, substantial business men who had done invaluable service in checking the panic. Do you remember that?

Mr. GARY. I do not remember that at all.

Mr. LINDABURY. Congratulations from whom?

Mr. BARTLETT. From the President of the United States at that time, Mr. Roosevelt. Now, November 3 was about the time when this meeting at Mr. Morgan's library was held?

Mr. GARY. Was November 3 Saturday or Sunday?

Mr. BARTLETT. Sunday.

Mr. GARY. Well, November 2, I should think, was my first interview with Mr. Ledyard.

Mr. BARTLETT. Now, can you give us the names of some of those present besides yourself?

Mr. GARY. At that meeting?

Mr. BARTLETT. Yes.

Mr. GARY. I think the negotiations were entirely between Mr. Ledyard and myself, and I do not think anyone else was present.

Mr. BARTLETT. I am speaking about the meeting in Mr. Morgan's library?

Mr. GARY. Our negotiations were at the library in one of the rooms, but I have told you how Mr. Morgan introduced the subject, when Mr. Ledyard and I were present, and that was on Saturday. There were times during these two or three days, as I have related, when many of the leading bankers of the city were present in the library. The library had three large rooms.

Mr. BARTLETT. I will ask you whether the parties whom I will now name were present——

Mr. GARY (interposing). You mean now at what time?

Mr. BARTLETT. In the night when this conference occurred.

Mr. GARY. The night Mr. Frick and I left for Washington, for instance?

Mr. BARTLETT. Yes. Was Mr. Thomas F. Ryan present at the time?

Mr. GARY. I do not think so. I do not remember to have seen him during the whole time. He may have been there.

Mr. BARTLETT. Was Mr. Frick present?

Mr. GARY. I think Mr. Frick was present.

Mr. BARTLETT. Was Mr. Oakleigh Thorne there?

Mr. GARY. I do not remember him, but he may have been there.

Mr. BARTLETT. He was at that time president of the Trust Co. of America?

Mr. GARY. He was.

Mr. BARTLETT. Was Mr. Schley there?

Mr. GARY. I do not think he was. I do not remember that he was. I might be mistaken.

Mr. BARTLETT. Was Mr. James B. Stillman there?

Mr. GARY. I think he was—James Stillman.

Mr. BARTLETT. Yes. He was connected with the Standard Oil people?

Mr. GARY. No; with the National City Bank.

Mr. BARTLETT. Well, that is the Standard Oil Co.?

Mr. GARY. Oh, no. I do not know just what you mean by that.

Mr. BARTLETT. Mr. George F. Baker, president of the First National Bank—was he present?

Mr. GARY. Yes; I am very sure he was. There were many presidents of national banks and trust companies present, in fact, the presidents of most of the leading banks.

Mr. BARTLETT. Now, on November 4 you came to Washington?

Mr. GARY. I think we arrived here the morning of the 4th; that is my impression.

Mr. BARTLETT. You returned to New York at what time?

Mr. GARY. Immediately after the interview. We had a special.

Mr. BARTLETT. And when you returned to New York, did you have a conference in Mr. Morgan's library that night or that evening, or at any time after you reached New York?

Mr. GARY. I do not remember that we did. You will remember I stated I telephoned to the bank immediately after the interview with the President, and I went back to New York and called another meeting of our finance committee.

Mr. BARTLETT. Did they meet right away?

Mr. GARY. I should think they did. There were several meetings. We have all the minutes here, and they will fix the dates.

Mr. BARTLETT. Did you have a meeting at Mr. Morgan's residence or at his office that day?

Mr. GARY. I did not have any meeting at his residence during this time, not one. There was not any meeting at his residence that I heard of.

Mr. BARTLETT. At his library?

Mr. GARY. At his library there were a good many meetings.

Mr. BARTLETT. Did you have a meeting there that day—at any time before the next day?

Mr. GARY. I can not answer that. You see, it having been decided that we would acquire the property, then it was a question of closing up the business, and I remember we had the first meeting of importance after that at my own apartments. Mr. Morgan nor any of the bankers was not present on that occasion. That was a business meeting. Mr. Topping, president of the Republic, Mr. Leonard Hanna, perhaps Mr. Oglebay, and possibly Mr. Schley, Mr. Ledyard, some of my own assistants, and myself were there. It was then I drew up this memorandum which I have referred to, which ought perhaps to be introduced simply to fix the time, which provided we would take over these stocks, and at the end of it, at Mr. Ledyard's insistence, I added a little paragraph that we would purchase minority stockholders' interests.

Mr. BARTLETT. Do you remember whether or not there was issued in the New York papers the next morning the statement that—

the committee of the trust companies of New York City has had the assets of the Trust Co. of America and of the Lincoln Trust Co. examined by experts, who report that in their judgment on the present basis of value the assets of these companies are sufficient to pay the depositors in full.

Do you remember that?

Mr. GARY. I do not remember that.

Mr. BARTLETT. And among the collaterals that the Trust Co. of America held were a lot of shares of Tennessee Coal & Iron Co.?

Mr. GARY. It seems to me the loans there were between $400,000 and $500,000.

Mr. BARTLETT. Yes; that is correct. How much actual cash was paid in the purchase of the Tennessee Coal & Iron Co. stock—about $625,000?

Mr. GARY. There was not any sum of cash paid at that time. Within a short time we paid millions of dollars.

Mr. BARTLETT. I am talking about that particular time.

Mr. GARY. Not any. The question of cash was not suggested, except in the way I have stated.

Mr. BARTLETT. You have stated something with reference to the dismantling of mills, and in only one instance have you stated that occurred. Now, prior to the acquisition of some of these subsidiary companies—we will call them subsidiary companies of the Steel Corporation—there had been amalgamations or absorptions of other plants into the companies that you absorbed? I use the word "absorbed" merely as illustrative. For instance, take the American Steel & Wire Co.

Mr. GARY. I knew competing companies in the wire business had gone into that company, because I knew something, in a general way, about that business. I did not know much about the others.

Mr. BARTLETT. You did not mean to say, then, by the statement that none of the companies or corporations had been dismantled, to say that they had not been dismantled before you had absorbed them?

Mr. GARY. I did not know that any of the plants had been dismantled, Judge Bartlett.

Mr. BARTLETT. Well, shut down.

Mr. GARY. I did not know that. Have you any information to that effect?

Mr. BARTLETT. I have the testimony of a witness before this committee as to that.

Mr. GARY. I do not know that. This is the first I have heard of it.

Mr. BARTLETT. For instance, the American Steel & Wire Co., of Illinois, which was afterwards converted into the American Steel & Wire Co., of New Jersey. I am stating that from Mr. Gates's testimony.

Mr. GARY. What is the observation as to those plants?

Mr. BARTLETT. I will read you the plants he states had been absorbed, if you desire:

The Washburn Manufacturing Co., of Worcester, Mass.; the Worcester Wire Co.; the Cleveland Wiring Mills Co.; the American Wire Co., of Cleveland; the R. B. Nail Co.; the Cincinnati Barb Wire Fence Co; Oliver's concern, the Oliver Wire Co.—I can not remember them all, there are a great many of them.

Mr. GARY. Well, there were a good many plants which came together, I presume, but I do not think they were dismantled, Judge Bartlett, or closed down.

Mr. BARTLETT. I do not know. I want to ask you about that. You took over this American Steel & Wire Co., did you?

Mr. GARY. We did.

Mr. LEDYARD. As they found it?

Mr. GARY. Yes; as we found it.

Mr. BARTLETT. Now, if they had absorbed and dismantled any of these works which composed that company, you have not restored them in any way?

Mr. GARY. I can not answer that, Judge Bartlett. I doubt very much if any plants of any consequence have been dismantled. That competing plants came together I do not deny. In fact, I had information that competing plants had come together.

Mr. BARTLETT. I will read Mr. Gates's testimony on that subject:

Mr. GATES. I do not believe there was much change. We tried to run the mills we could operate the most economically and shut down those that were the most expensive, and I do not think we particularly advanced the price. That is my recollection.

The CHAIRMAN. How many did you shut down, Mr, Gates; do you know?

Mr. GATES. Probably we had 50 and shut down 20—dismantled them.

Mr. BARTLETT. How many?

Mr. GATES. Two-fifths of the properties were probably dismantled—shut down and eventually dismantled, or concentrated. The machinery has been moved to our other plants; the machinery was not wasted.

Mr. BARTLETT. That is the usual way when you concentrate business into one central company?

Mr. GATES. That is the sensible way.

Mr. BARTLETT. Not only to shut down, but to dismantle?

Mr. GATES. Dismantle; yes. One superintendent does the work, whether you are making 100 tons or 300 or 500.

Mr. GARY. I should think his statement is rather general, and I fear it is a little careless, because I have never before heard that any plants of any consequence were dismantled even by the Wire Co.; and as to the other subsidiary companies, I did not have much knowledge before we took them over, not including the Federal Steel Co. Of course, I knew about that.

Mr. BARTLETT. The United States Steel Corporation ships its products into Canada and points in Canada?

Mr. GARY. It does.

Mr. BARTLETT. You ship a great deal from Pittsburg and Gary to Toronto, Hamilton, and Montreal, do you not?

Mr. GARY. We ship from some of our mills into Canada to a considerable extent.

Mr. BARTLETT. I asked with reference to Pittsburg and Gary.

Mr. GARY. I think we do from Pittsburg. I do not know about Gary. The Canadian business has not been very good for the past few years on account of the tariff situation there—on account of their tariff, bounties, and so forth, we were practically shut out of Canada, although of late we have done some business. But at one time we were practically shut out of Canada.

Mr. BARTLETT. You will get in later.

Mr. GARY. I hope so.

Mr. BARTLETT. I will ask you this question, and I will confine it entirely to Canada. I desire to know whether or not your company enjoys or has any agreement by which you have from the Canadian roads any rates of freight that are lower than are given to the independent steel companies in these States?

Mr. GARY. I never heard of the suggestion before, and I am very sure we have not.

Mr. BARTLETT. If such a thing existed, would you know about it?

Mr. GARY. I think I would. I ought to know it. Do we ship over that road at all?

Mr. BARTLETT. I did not mention any road. I asked you, first, if you ship your products from Pittsburg and Gary into Canada.

Mr. GARY. We might deliver to the ports there in Canada. I do not know whether we ship over the railroads there at all or not.

Mr. BARTLETT. I then asked you if it was a fact that the steel corporation enjoyed with the Canadian railroads, not any particular one, but any of them, any lower rates of freight than are given or are permitted to be enjoyed by the independent steel companies in the States that also ship this business?

Mr. GARY. I understood your question, and I answered it in the negative. So far as I know or am informed, I feel very certain we have never had anything of the kind, and that any such thing has never been suggested.

Mr. BARTLETT. That is all. Now, since I have questioned you about this editorial, I desire that it be put in the record.

(The paper above referred to is as follows:)

LET THE RECORD TELL THE STORY.

Judge Gary in his testimony yesterday before the House Committee declared that President Roosevelt and Secretary Root not only sanctioned the absorption of the Tennessee Coal & Iron Co. by the Steel Trust, but that they regarded such absorption as necessary "to avert a widespread financial disaster." In Judge Gary's opinion this action on the part of Mr. Roosevelt licensing the merger "was a piece of real constructive statesmanship."

Let the record of the panic testify as to whether this action on the part of Mr. Roosevelt was actually necessary "if a financial cataclysm was to be averted:"

October 19, 1907, it was announced that Charles W. Morse had resigned from all the banks and trust companies with which he was connected.

October 20 the clearing house committee stated that the Heinze-Morse-Thomas interests had been eliminated from the banking situation. The committee issued the following statement:

"A committee of the clearing house have examined the several banks of the association that have been under criticism and, finding them solvent, the clearing house committee have decided to render them such assistance to meet their deposits as the committee may think necessary."

October 21 the National Bank of Commerce, controlled by Thomas F. Ryan, suddenly notified the other clearing-house banks that it would cease to act as clearing-house agents for the Knickerbocker Trust Co.

October 22 there was a run on the Knickerbocker Trust Co., which closed its doors, and the panic was in full swing. That evening J. Pierpont Morgan said:

"We are doing everything we can as fast as we can, but nothing has yet crystallized."

October 23 something "crystallized," for the New York Times printed a statement inspired by George W. Perkins, one of Mr. Morgan's partners, saying, "The chief sore point is the Trust Co. of America." A run immediately began on the Trust Co. of America This same day George B. Cortelyou, Secretary of the Treasury, dumped $25,000,000 of Government money into Wall Street.

October 24 the Morgan-Rockefeller interests advanced $60,000,000 to steady the stock market.

October 25 stocks advanced, and Clark Williams, State superintendent of banks, said the situation was improving. The Trust Co. of America was steadily paying off its depositors, but under difficulties.

October 26 Mr. Roosevelt issued a statement congratulating Mr. Cortelyou "on the admirable way you have handled the present crisis." Mr. Roosevelt also congratulated "those conservative, substantial business men" who did "invaluable service in checkiug the panic."

Apparently the panic was over. The newspapers ceased to publish the news of it on the first page.

November 3 the Times printed a most optimistic financial article under the head lines, "Trying situation well met by banks." That night occurred the famous conference at Mr. Morgan's library, among those present being Mr. Morgan, Thomas F. Ryan, Judge Gary, Mr. Frick, Oakleigh Thorne, who was president of the Trust Co. of America; Grant B. Schley of the firm of Moore & Schley, which was carrying $6,000,000

of Tennessee Coal & Iron stock; James B. Stillman, of the Standard Oil bank, and George F. Baker, of the First National Bank. All the dominating elements of the Money Trust, which, in the words of Judge Gary at yesterday's hearing, "can do a great deal of harm as well as a great deal of good in banking circles," were represented at this meeting.

At 10 o'clock that night Judge Gary called up the secretary to the President on the long-distance telephone and arranged for a conference at the White House the next day. He and Mr. Frick went to Washington on a special train.

November 4 Mr. Roosevelt, in a personal interview with Judge Gary and Mr. Frick, at which Elihu Root was present, licensed the absorption of the Tennsesee Coal & Iron Co. by the Steel Trust, and Judge Gary "immediately wired to New York."

November 5 another financial conference was held in Mr. Morgan's library, and at 3 o'clock on the morning of November 6, announcement was made from the Morgan library that:

"The committee of the trust companies of New York City has had the assets of the Trust Co. of America and of the Lincoln Trust Co. examined by experts, who report that in their judgment, on the present basis of values, the assets of each company are sufficient to pay the depositors in full."

November 7 Judge Gary wrote to Elihu Root asking the Secretary of State to confirm his recollection that at the White House conference Mr. Roosevelt "did not hesitate to say that from all the circumstances as presented he would not advise against the purchase of the Tennessee Coal & Iron Co. by the Steel Trust."

November 11 Mr. Root wrote to Judge Gary confirming Judge Gary's report of Mr. Roosevelt's statement. He likewise sent a copy of Judge Gary's letter and his reply to the President, "with the recommendation that it be transmitted to the Department of Justice for filing there."

November 19 Mr. Roosevelt wrote to Mr. Root, saying that "Judge Gary states the facts as I remember them."

November 20 Mr. Root wrote to Judge Gary as follows:

"DEAR Mr. GARY: I inclose a copy of the letter which I have sent to the President, inclosing a copy of your letter of November 7 and a copy of the President's answer. You now have a complete record of what you will be able to find on the files of the Department of Justice should occasion arise."

Mr. Roosevelt, Mr. Root, Judge Gary, and the rest have stoutly insisted that this merger was imperative "to avert widespread financial disaster." The record of the panic does not sustain them at any point. It is time for the House committee to demand specific proof. How and why did this merger which gave the Steel Trust a monopoly of high-grade ore prevent "a financial cataclysm" which had already been averted?

Mr. YOUNG. Is the United States Steel Corporation, to your knowledge, receiving any rebate, directly or indirectly, from American roads or from roads in the United States?

Mr. GARY. I answer that in the negative positively. More than that, I sent out letters to our presidents many years ago, and sent out letters to the presidents of all the leading railroads, saying that under no circumstances would any of our people be allowed to receive rebates of any kind or description. I have no objection to furnishing the committee with a copy of that letter. I believe it was written in 1905, and I wrote the letter because some one told me that some local official had received rebates, and while I did not believe it was true, yet I wanted to make it positive; and I wanted our people to know that. I sent the letters to the presidents of all the leading railroads and copies to our presidents, and also at the same time wrote letters to our presidents concerning terminal allowances, so called, or divisions, so called. I tried to make it certain that our people observed the laws in every respect.

(The committee thereupon took a recess until 2.30 o'clock p. m.)

AFTER RECESS.

At the expiration of the recess the committee resumed its session.

STATEMENT OF MR. ELBERT H. GARY—Resumed.

Mr. BARTLETT. Judge Gary, there is a question or two that I should like to ask you upon another line. I was very much interested in the statement you made with reference to publicity and government control. You went so far as to say you wished there was some department of the General Government (I apprehend you meant that; not 46 separate departments, but some department of the General Federal Government) to which you could go and apply, and lay before it your business and its investments and its methods of doing business, and all that, and ask it to direct you how to manage your business so as not to come in conflict with the law, and what prices to charge. Did I understand you to say that?

Mr. GARY. Yes; I said that.

Mr. BARTLETT. Did you really mean to go that far?

Mr. GARY. Well, Judge, let me tell you what was in my mind.

Mr. BARTLETT. I should like to know.

Mr. GARY. At the present time people representing very large interests, desiring to comply with the provisions of the law, and having in mind the public interest, the public welfare, are more or less uncertain as to what they may or may not properly do.

Mr. BARTLETT. That has always been so with reference to people engaged in business; there has been, at times, uncertainty as to the construction of the law.

Mr. GARY. I think it is very much more so now, on account of the Sherman law, so called. It seems to me it is. I adverted briefly to the fact——

Mr. BARTLETT. But that has been in force some 21 years.

Mr. GARY. It has been in existence for a number of years.

Mr. BARTLETT. Well, I accept the correction, of course.

Mr. GARY. Yes; but it has been more vigorously enforced of late, and there have recently been constructions put upon it, and there has been a good deal of discussion about it during the last few years. It is this feeling of uncertainty that has very much disturbed business conditions, has interfered with business prosperity, I think, and has made it more or less troublesome; at least, it has created a feeling of anxiety.

Mr. BARTLETT. May I say this—then it is by reason of being in this storm of uncertainty, so to speak, as to what you may legally do, that you seek this apparent port of safety?

Mr. GARY. Yes; some way of knowing to a certainty what we may properly do without, as I say, antagonizing either the laws or the public interests or public sentiment. As to just how prices can be controlled, I recognize it is very difficult to determine. If I were to be more practical in any suggestion I made, or if I should suggest an alternative for an absolute fixing of prices by the Government, I would suggest that possibly there might be a Federal license law.

Mr. BARTLETT. That has been suggested by some very prominent men—those who at present are prominent, and those who have tried to be and are not.

Mr. GARY. There are those who have suggested a Federal incorporation law. I do not know but that is practical and desirable.

Mr. BARTLETT. If I remember correctly, Mr. Roosevelt, before he went out, suggested a Federal license.

Mr. GARY. Not that, I think. He had another provision which I did not oppose which provided for going before the Department of Commerce and Labor and filing papers for incorporation, or asking consideration of a proposal to enter into an agreement or form a combination.

Mr. BARTLETT. You mean an innocent, harmless combination?

Mr. GARY. Well, that whole question would come up. It seems to me possible that if there was a Federal license law which enabled a corporation to apply to the Government or a department of the Government for a license to engage in interstate-commerce business, then there could be considered and decided, first, all questions relating to the organization of the corporation itself, as to whether it was a corporation proper to be organized and to be in existence under the Sherman law, if you please, or otherwise; and if it should be determined to issue a license, then one could be issued which might be revocable by the Government, depending upon the conduct and management of the corporation—even relating to the question of prices, as to whether they were extortionate or not, whether there was a restraint of trade, or whether in any respect the conduct of the corporation was inimical to the best interests of the people generally.

Mr. BARTLETT. You are now speaking of license, not of incorporation?

Mr. GARY. No; I am speaking of license now. Then, if the Government should determine that the license should be revoked, the corporation would have no right to continue in interstate-commerce business; but in both cases and in all cases I would certainly allow or wish to have the right of appeal.

Mr. BARTLETT. To the courts?

Mr. GARY. To the courts. I would not get away from the courts as the final arbiter on these questions. I believe that is all important. I believe that is the salvation of this country.

Mr. BARTLETT. One word there. You are a lawyer. Of course, the only authority that Congress would have to exercise such power to license corporations to engage in interstate commerce would be by exercising the power granted in the Constitution to regulate interstate commerce.

Mr. GARY. That is true.

Mr. BARTLETT. And, under that section of the Constitution, to license corporations. Whenever Congress undertakes to exercise that power, where it legitimately has it, that power becomes exclusive, does it not?

Mr. GARY. I presume it does. There may be involved in this, Judge Bartlett, the question of State rights and Governmental rights.

Mr. BARTLETT. Not simply of State rights.

Mr. GARY. Of course, I was not speaking of this from a political standpoint at all.

Mr. BARTLETT. Of course not. We have got to enact legislation in accordance with the Constitution as long as we live under it or respect it; and as long as the courts compel Congress, whenever Con-

gress desires not to respect it, to respect it, we have got to carry on the Government in accordance with the Constitution.

Mr. GARY. That is quite true.

Mr. BARTLETT. If that power exists (not granting it except for the purpose of the question), and if Congress ever did exercise the power either of incorporation of interstate-commerce corporations or corporations doing an interstate-commerce business, or of licensing them, then, having exercised the dormant power, if it exists, that power at once becomes exclusive in Congress?

Mr. GARY. I believe that is true.

Mr. BARTLETT. Then what becomes of the right of the local governments, State or municipal, or subdivisions of States, to in any way regulate the business, tax it, or things of that sort?

Mr. GARY. Of course, the same reasoning applies to railroads engaged in interstate commerce, does it not?

Mr. BARTLETT. No; pardon me. The right of Congress has not yet been extended to railroads, except to fix the charges and to regulate the means of transportation as to safety appliances, and things of that sort; and the States still reserve, and the Supreme Court has ruled that they have, the right to tax and the right to exercise police regulation as to the conduct of the business within their borders.

Mr. GARY. Judge Bartlett, I can only say that I have no disposition to suggest the consideration of any constitutional or political question.

Mr. BARTLETT. This is not a political question, is it?

Mr. GARY. It has been so considered in the past—more or less of a question between Government and State. But I say I am not attempting to enter the domain of that discussion or consideration.

The CHAIRMAN. It was worked out about 50 years ago.

Mr. GARY. It seems to me that so far as the Government has succeeded in regulating and controlling the conduct of railroads or other corporations engaged in interstate commerce, up to date, it has been a success. There has been adequate or at least reasonably adequate protection to the Government, representing the people at large, and to the individual or the corporation. All I care for, Judge, is to get out of this position of uncertainty, so that the business of this country may progress. It is delayed, it is hindered, at the present time. I believe that goes without saying, to some extent; and at the same time I think all of us ought to be in favor of laws which will prevent injustice on the part of the Government and on the part of the governed, and which will protect the interests of both. I believe that is good logic and good morals, and that is all I have attempted to suggest. You gentlemen having the greater responsibility, of course, I know will find it difficult to determine upon a law which you think may prove a satisfactory solution of the problems with which we are confronted. That is as far as I have gone.

Mr. BARTLETT. But you have not called attention to the distinction between the Government fixing the prices or creating a commission to regulate the prices of transportation over carrying railroads, interstate carriers, and corporations engaged in manufacturing or business interstate in its character. There is this difference between them—that the railroads get their right to charge anything at all from charters granted by the various States; and in the granting of those

charters and in the building of the roads they are granted a part of the sovereignty of the State, the right to exercise the power of eminent domain, by reason of the fact that the Government undertakes to control or regulate the prices of the carriers; because when they do that they become quasi public highways.

Mr. GARY. I know there is a distinction.

Mr. BARTLETT. And that is the great distinction between them—as to the fixing of prices, I mean.

Mr. GARY. Yes; there is a distinction between a quasi public institution like a railroad and a private corporation, strictly speaking. But I am not at all certain in my mind that when it comes to interstate commerce the Government has not the right to reach out and control it. If not, it seems to me it certainly would in case of even a license, and much more so in case of Federal incorporation. That is, when the corporation once submits in that way to the jurisdiction of the Government, I believe the Government would have the right to control it. That is all you need, if you can get enforced publicity and governmental control.

Mr. BARTLETT. Do you mean governmental control or governmental regulation?

Mr. GARY. I use the word "control" preferably, and I would distinguish that from Government management. I do not believe Government management of the ordinary business of a corporation is practical.

Mr. BARTLETT. It has been demonstrated to be a failure in Australia and in New Zealand in the last few years, has it not?

Mr. GARY. I think it has been demonstrated; yes. What we all need is something that is practical, something that is legal, something that affords protection to all interests, and that I am in favor of, because I think it is right and because we need it—because it is good policy.

Mr. BARTLETT. One more question and I will quit. Do you not believe that this power, if the Government exercises or intends to or has attempted to exercise it and does exercise it, to control and regulate the corporations in doing interstate business is nothing more than an assertion of the old common-law doctrine that you must so use your own property as not to injure others or the public? That is about all there is in it, is it not?

Mr. GARY. Perhaps it is. That is good doctrine.

Mr. BARTLETT. It does not take a Government bureau or a Government agency here to enforce that ancient and well-accepted doctrine of law which we have inherited from our forefathers across the water.

Mr. GARY. I am afraid, in view of the existing laws, that it does require something to put the manager of large interests in a position where he is not groping in uncertainty. Judge Bartlett, constructive legislation in this country is needed if we are to retain our position in the ranks of competing nations who are trying to make progress, and who are making progress. I firmly believe that.

Mr. BARTLETT. If you gentlemen who engage in these large business enterprises add the weight of your influence or suggestions to Government control, Government regulation, or Government license, which must eventually lead to Government management or ownership, we are not very far, if that be accomplished, from leaving our

present form of government and getting very close to the domain of socialism, are we?

Mr. GARY. I can not quite agree with that. It does not seem to me so, Judge Bartlett. I should be sorry is that were true—if that is the logical sequence.

Mr. BARTLETT. That idea has been very largely advanced, if the returns of the elections of the last eight years are any indication of it; and I think it would be very unfortunate if gentlemen of the intelligence and standing and wealth that you represent join your influence toward the attainment of that end—unfortunate for our form of government, and, I think, eventually for our people.

Mr. GARY. From our standpoint, our disposition is to submit to the decisions of those who are in authority and who are wiser than we are. But you take the case which I presented here under the Sherman law—monopoly on one side and restraint of trade on the other: I should like to know from Judge Bartlett what position we could possibly take except the one which we have taken, of avoiding the semblance of making any agreement, and yet at the same time trying to prevent utter demoralization and destructive competition such as used to prevail.

Mr. BARTLETT. The law is said to be the perfection of human reason; and I think probabiy the courts recently have demonstrated that in disposing of every matter you must apply the doctrine that the law is the perfection of reason, and every case must stand or fall upon its own facts.

Mr. GARY. If that were true, you would not, perhaps, be amending the laws all the time.

Mr. BARTLETT. I am speaking about the particular law you have reference to now. That is all I wish to ask.

Mr. BEALL. As I understand you, Judge, your idea is that the old era of competition has about ended?

Mr. GARY. I think the old era of destructive competition ought to be ended.

Mr. BEALL. And in order to avoid the dangers of combinations or unlawful restraints of trade, you believe that there should be designed some governmental agency whose partial function should be the fixing of prices?

Mr. BARTLETT. Subject to review.

Mr. BEALL. Subject to review by the courts?

Mr. GARY. Yes; in some way I think that ought to be brought about.

Mr. BEALL. Of course if such an agency as that should be established, fixing the price, you would expect it to fix such a price as would afford reasonable, fair compensation to those who have invested money in these organizations?

Mr. GARY. Fair and reasonable returns.

Mr. BEALL. Yes. Would not that involve some supervision by the Government of the organization of these concerns?

Mr. GARY. Quite likely it would.

Mr. BEALL. And some regard for their capitalization, and whether or not they were overcapitalized?

Mr. GARY. It would, or else the returns to be allowed should be on the real values of the properties rather than upon the capitalization.

Mr. BEALL. I feel sure that you have already stated it; but what

was the amount of the original capitalization of the United States Steel Corporation?

Mr. GARY. The capital stock issued was in the neighborhood of $1,000,000,000—something over $1,000,000,000. You mean at the time of the organization?

Mr. BEALL. Yes.

Mr. GARY. Yes.

Mr. BEALL. Has that been increased since?

Mr. GARY. It has been decreased. The capital stock has been decreased. I think it was about eleven hundred millions.

Mr. BEALL. Eleven hundred million dollars?

Mr. GARY. I can give you the exact figures.

Mr. BEALL. Some represented by common stock?

Mr. GARY. Yes.

Mr. BEALL. Some by preferred stock?

Mr. GARY. Yes; it was about half and half.

Mr. BEALL. What quantity of bonds?

The CHAIRMAN. Judge Gary, I think I have it here in very concise form. See if this is correct?

In the original exchange of securities the new corporation issued $1,297,184,170 of stocks and bonds, in exchange for a total of $894,968,800 shares of stocks and bonds of the constituent companies. Thus the new capitalization exceeded the old by $402,195,370—an increase of 45 per cent on the capitalization of the constituent companies. I quote from Moody's The Truth about the Trusts, page 165. In that connection I should like to ask you if this is correct—that the Morgan syndicate that promoted this consolidation and was in charge of it received $137,000,000 of the stock of this company; that they put $25,000,000 into the concern; and that Morgan, etc. (whoever that "etc." is or was or will be), received the difference between the par value of $137,000,000 of stock and $25,000,000 of money for the deed?

Mr. GARY. I can not verify your figures from recollection, Mr. Chairman. I can give you the amount of capital stock issued.

The CHAIRMAN. Moody's The Truth about the Trusts, and Bridges' Inside History of the United States Steel Corporation" are my authorities for these figures. But I was asking you if they were not correct. If they are not I should like to have them challenged, because I am morally certain that they are correct.

Mr. YOUNG. I should think it would be well to call those gentlemen before us, Mr. Chairman, and examine them.

The CHAIRMAN. I know they are right, because I have examined them for years and cross-examined them.

Mr. LINDABURY. The writers of those books?

The CHAIRMAN. I have taken half a dozen different writers; and where I found them all coming to one point, moving from different directions, I went on the logic of coon tracks, where they all meet at the same tree.

Mr. GARY. Mr. Chairman, at the end of December, 1901, the amount of common stock outstanding was $508,225,893.70. The amount of preferred stock outstanding was $510,204,243.40. The amount of bonds issued by the United States Steel Corporation was $303,450,000. There were about $60,000,000 additional bonds which

had been issued by subsidiary companies. Afterwards a part of the preferred stock was retired and United States Steel "seconds," so-called, issued in the place of that stock; so that the figures at the present time are a little different.

The CHAIRMAN. Judge, when you get through, please tell me if my figures are correct according to your estimate.

Mr. GARY. I think your stock is $200,000,000 or more too high.

Mr. BARTLETT. That is a small amount.

The CHAIRMAN. Let me see about the figures. I have misplaced my card. I make it $137,000,000 of stock to the syndicate. Is that right?

Mr. GARY. No. I have not got those figures, but I believe they were very much less than that.

The CHAIRMAN. Now, then——

Mr. LINDABURY. Would you not like to get the rest of his answer? The first part of your question is yet unanswered.

The CHAIRMAN. Yes; I beg your pardon.

Mr. GARY. On December 31, 1910, the total amount of outstanding stock was $508,302,500 common; preferred, $360,281,100; or a total of $868,583,000. The outstanding bonds of the United States Steel Corporation were $465,189,500, and of subsidiary companies about $131,130,000; the exact amount being given in the balance sheet of the last report, on page 32.

Mr. BARTLETT. That last figure was the bonds of the subsidiary companies, $131,000,000?

Mr. GARY. About that. The total amount of the bonds of the United States Steel Corporation and subsidiaries was $596,351,866.70.

Mr. BEALL. According to your recollection, what did the promoters of this syndicate receive in the organization of the Steel Trust?

Mr. GARY. I can not tell you from recollection. I do not remember.

Mr. BEALL. Can you approximate it?

Mr. GARY. I can not approximate it. I have no figures whatever in my mind about it.

Mr. BEALL. I understand, then, that at the time this corporation was organized——

Mr. GARY. I believe those figures were all made public. I am very certain they were.

The CHAIRMAN. They have been published, and I quote from the published statements current at the time. It was $137,000,000 of stock. It was quoted by Mr. Moody.

Mr. GARY. I think that is too high, Mr. Chairman.

The CHAIRMAN. I think I have the figures here, Judge. I will ask you about my authority, if I am not correct. John Moody gives that statement. Is he an authority?

Mr. GARY. I do not believe he is considered absolutely an authority.

The CHAIRMAN. How about Mr. Bridges?

Mr. GARY. Mr. Bridges's book is simply a story.

The CHAIRMAN. A romance?

Mr. GARY. I do not mean to say that it is a misrepresentation, but it was not published as an accurate statistical authority.

The CHAIRMAN. No; but he was in the employ of Mr. Carnegie, and was a steel man, was he not, and had access to their books and records?

Mr. GARY. I can not answer that. I only know from hearsay that he was. I do not wish to throw any discredit upon him, but his book did not purport to be a statistical authority.

The CHAIRMAN. I will ask you this, Judge. (Excuse me for interrupting you, Mr. Beall, but I want to verify these figures.) I will give my figures in detail, so that you may have a chance to verify them. The American Steel & Wire Co. was taken in——

Mr. LINDABURY. Mr. Chairman, may I be allowed to object——

The CHAIRMAN. Why, certainly.

Mr. LINDABURY (continuing). To a question that simply results in putting some uncorroborated and unproven story in the record?

The CHAIRMAN. No, sir. This statement that I am reading now, Mr. Lindabury, has been published in the record for years. I went before the Judiciary Committee with these figures. I went before the Rules Committee with these figures. They were published in the public prints. I made every examination of the Iron Age and of every other contemporaneous publication that I could get, and then I compared the figures between them, and I think they correspond. If we can just go over them in detail, I am sure you will find that you have got the figures right now in your bag there. Let us see if you have not.

Mr. LINDABURY. Have they any authority except what the chairman has given them?

The CHAIRMAN. Yes, sir; I think they have, and that is what I say—if I am wrong, I want to know it, and I think you all do. These are matters of such vital interest and such common knowledge that I am sure you would not appear at this hearing without these figures. Now, let us see. I may be wrong, and if I am the world ought to know it, because I have no pride of opinion—none in the world.

The American Wire & Steel Co. went in at $90,000,000, did it not?

Mr. GARY. Mr. Chairman, I think I can give you some information right now.

The CHAIRMAN. All right, sir.

Mr. GARY. In our annual report submitted February 7, 1902, for 1901, on page 12, the third from the last paragraph, you will find it is stated that the syndicate got 649,987 shares of preferred stock and 640,988 shares of common stock.

The CHAIRMAN. I made a mistake right there, in the hurry of reading. I see that I read dollars for shares—$137,000,000?

Mr. GARY. No.

The CHAIRMAN. You can calculate the difference between the value of the shares and dollars.

Mr. GARY. The par value was one hundred and twenty-nine odd million dollars—not so much smaller as I supposed.

The CHAIRMAN. $129,000,000? I will accept your figures instead of mine, because there is so little difference between them that it is not material.

Mr. GARY. I have forgotten the figures, but that appears in our report.

The CHAIRMAN. Now, let us see about the other figures and see whether I am correct. The American Steel & Wire Co. went into the concern, according to my figures, at $90,000,000. That is, they were capitalized at $90,000,000—so Mr. Gates states, and so you have

stated, I believe, $40,000,000 common stock and $50,000,000 preferred, or vice versa. Is not that correct?

Mr. GARY. I think so.

The CHAIRMAN. It went into the United States Steel Corporation at $98,000,000. Is that correct?

Mr. GARY. Quite likely.

The CHAIRMAN. All right. The National Tube Co. was capitalized at $80,000,000. Is that correct?

Mr. GARY. Yes.

The CHAIRMAN. It went into this concern at $103,000,000. Is that correct?

Mr. GARY. Yes.

The CHAIRMAN. The American Bridge Co. was capitalized at $61,000,000?

Mr. GARY. Yes.

The CHAIRMAN. It went in at $65,000,000. Is that correct?

Mr. GARY. Yes.

The CHAIRMAN. The National Steel Co. at $57,000,000?

Mr. GARY. $59,000,000.

The CHAIRMAN. The National Steel Co.?

Mr. GARY. Yes.

The CHAIRMAN. I have it $57,000,000.

Mr. GARY. Fifty-nine.

The CHAIRMAN. According to this its original capital stock was $57,000,000.

Mr. GARY. $27,000,000 of preferred stock and $32,000,000 of common stock.

The CHAIRMAN. That is $59,000,000; my figures were $57,000,000; but that is not material. It went into the United States Steel Corporation at $73,000,000. Is that correct?

Mr. GARY. That is right.

The CHAIRMAN. The American Steel Hoop Co. was capitalized at $33,000,000?

Mr. GARY. That is right.

The CHAIRMAN. It went in at the same figure?

Mr. GARY. Yes.

The CHAIRMAN. The National Tin Plate Co. at $46,000,000?

Mr. GARY. The American Tin Plate Co.—yes.

The CHAIRMAN. It was capitalized at $46,000,000 and it went in at $62,000,000?

Mr. GARY. Yes.

The CHAIRMAN. The American Sheet Steel Co. was capitalized at $49,000,000 and was taken in at the same figure?

Mr. GARY. Yes.

The CHAIRMAN. Then your figures and mine are alike, with the exception of $2,000,000. Of course, that is a mere matter of addition.

Mr. BARTLETT. You are $2,000,000 short.

The CHAIRMAN. For fear that there has been some error in this addition, Judge Gary, in absolute justice to you, I will ask your kind permission to insert this little memorandum in the hearing, to which I have referred, so that you may have ample opportunity to further verify my figures, because I have a little pride in their approximate accuracy.

(The memorandum referred to is as follows:)

The nine companies, 1892.

Names.	Description of assets.	Value.	Capitalization.	United States Steel Corporation paid—
American Steel & Wire.....	About 45 plants and $10,000,000 cash.	$32,000,000	$90,000,000	$98,000,000
National Tube.....	25 plants and $5,500,000 cash.....	30,000,000	80,000,000	103,000,000
American Bridge.....	30 plants and $3,500,000 cash.....	18,500,000	61,000,000	65,000,000
National Steel.....	10 plants and $4,000,000 cash.....	21,000,000	57,000,000	73,000,000
American Steel Hoop.....	15 plants and $1,500,000 cash.....	9,500,000	33,000,000	33,000,000
American Tin Plate.....	35 plants and $2,500,000 cash.....	12,500,000	46,000,000	62,000,000
American Sheet Steel.....	27 plants and $4,000,000 cash	13,000,000	49,000,000	49,000,000
		244,500,000	836,000,000	1,113,000,000

Plants include materials, bills receivable.

Cash means working capital supplied each company at organization. Difference between $1,113,000,000 and $1,250,000,000 outstanding at organization was absorbed by promoting syndicate, who furnished $25,000,000 working capital to United States Steel Corporation; $1,250,000,000−$1,113,000,000=$137,000,000, stock profit of syndicate.

Mr. LINDABURY. May I see Bridges' account of the Steel Corporation?

The CHAIRMAN. Yes, sir [handing book to Mr. Lindabury]. I am quoting from memory here.

Mr. LINDABURY. But this is entitled "The Inside History of the Carnegie Steel Company."

The CHAIRMAN. Yes, sir; but it goes inside of both of them, Judge, before it gets through.

Mr. LINDABURY. Then it is broader than the title; that makes it unconstitutional.

Mr. BARTLETT. In some States but not——

Mr. GARY. Not before this committee.

The CHAIRMAN. All right. I beg your pardon, Mr. Beall.

Mr. BEALL. Then I understand, Judge Gary, that the common and preferred stock and the bonds amounted to something approaching $1,400,000,000?

Mr. GARY. Yes.

Mr. BEALL. What was the total capitalization of these constituent companies that went into the United States Steel Corporation?

Mr. GARY. That I can not answer except as to those I have just given—that is, I can not from recollection. The Federal Steel Co. had an outstanding capital of about $90,000,000 to $95,000,000, I remember; and the Carnegie Co., I think, had $160,000,000 of stock and $160,000,000 of bonds, or a total of $320,000,000.

Mr. BEALL. And for what did that company go into the Steel Corporation?

Mr. GARY. I gave that the other day. I had the figures the other day, and I gave them.

Mr. BEALL. I should be much obliged if you would repeat them.

Mr. GARY. There was issued for the Carnegie properties altogether $303,450,000 of bonds, $98,277,120 of preferred stock, and $90,279,040 of common stock.

Mr. BEALL. Something approximating $490,000,000? Is that right?

Mr. GARY. Yes.

Mr. BEALL. About $490,000,000. Could you tell whether the total sum given in the statement made just a few minutes ago by Mr. Stanley, of about $900,000,000, representing the total capitalization of these constituent companies, eight hundred and some odd million dollars, is right?

Mr. GARY. I think so; about $900,000,000.

Mr. BEALL. Judge, the opinion has been quite current throughout the country, if you can rely upon what you hear and what you see in the papers, that there was a very gross overcapitalization of the United States Steel Corporation. I should like to have your opinion about that, and any comments you would like to make.

Mr. GARY. As I have said, I think from the standpoint of what the properties originally cost, or from the standpoint of what they would have cost separately at the time of the organization of the United States Steel Corporation, provided all of the properties, including raw materials, could have been purchased at any price, there was an overcapitalization, in my opinion. But from the standpoint of what those properties were then worth, at that time, put together and as a live, active, going business, I do not think they were overcapitalized. Since that time, as you know, we have, however, put into the property in cash, besides keeping up the properties, $400,000,000 or more. Not only that, but the intrinsic value of the raw materials has very materially increased. I say "intrinsic value" because the ore properties such as we have got are not purchasable anywhere; and I believe that if you could take the ore properties which the United States Steel Corporation controls at the present time and put them down in the center of Germany, for instance, where they could be utilized, it would be very easy to sell them for more than the total capitalization of the United States Steel Corporation.

Mr. BEALL. At the time the United States Steel Corporation was formed, what, in your opinion, was the actual worth of these various companies that went to form the United States Steel Corporation—in actual dollars?

Mr. GARY. You see it depends upon how you use the term "worth." I believe they were actually worth, put together, in operation, at least the amount of the capital stock; and I think we have demonstrated that since.

Mr. BEALL. You found them separate and apart?

Mr. GARY. Yes.

Mr. BEALL. You contracted for their absorption or for their consolidation one by one. What do you think they could have been bought for, in actual cash, at that time? What would have been their reasonable market value at the time of the formation of the United States Steel Corporation?

Mr. GARY. It is pretty certain they could not have been bought for less than they were bought for; and therefore there is no way of measuring that, except to say that they could have been bought for the amount of stock of the United States Steel Corporation which was issued for them; and that stock was worth, in dollars and cents, what it could be sold for at that time.

Mr. BEALL. Immediately after the organization of the United States Steel Corporation, what was that stock worth? What was the common stock worth?

Mr. GARY. I think the common stock sold for about 60 to 65.

Mr. BEALL. How low has it sold since that time?

Mr. GARY (continuing). And the preferred stock at par or better. Since that time, during two different depressions, the common stock has sold as low as about 10, I think it was, in 1904, or slightly under 10.

Mr. BEALL. What did that indicate?

Mr. GARY. That indicated that all or nearly all stocks were selling at very much below their real value. That is what it meant. That was true of other old stocks, first class, the best in the country. The same was true in several short depressions; and it was particularly true in 1907, during what I have called the cyclonic panic. Union Pacific, for instance, selling now at 180 or 190 or whatever it may be, went down to about par. Chicago & Northwestern, which had sold as high as 275, went down to nearly par; and other things like that occurred.

Mr. BEALL. If it had been believed that behind each dollar's worth of this common stock there was an actual dollar in value, would not the value of that stock have approximated 100 cents?

Mr. GARY. The intrinsic value does not determine the selling value, particularly in New York, I am sorry to say. It does in the long run. But there are times when the people dealing in the market on Wall Street pay little attention to the real or intrinsic value of securities. I do not know very much about Wall Street, and I do not care very much about Wall Street, but I know enough about it, or I have sufficient information about it, to know that the selling price of securities on Wall Street is at times largely the result of manipulation. That is a sad commentary, but it is true.

For instance, the common stock of the Steel Corporation during the panic of 1907 sold as low at 21, I think—21 or 22. Within a year or so (not to be strictly accurate in point of time) it sold as high as about 95. The actual value had not so materially changed. The common stock sold at 21 in 1907, notwithstanding there had been put into that stock in cash 40 or 45 points. You see, in times of depression or in times of great speculative interest, stocks are forced down or forced up beyond all reason, and very much regardless of the intrinsic values. So that, of course, you can not tell what the real value is by the selling price. You can, from the legal standpoint, determine their value, because that is fixed as the market value—what you can get for them.

Mr. BEALL. Then, using that as a basis, there has been no time since the organization of the United States Steel Corporation that there could have been realized on the common stock anything approximating the amount of the stock?

Mr. GARY. That is not quite true, because the common stock sold at 95, and the preferred at that time sold for about 130, making, you see, more than par—affording the opportunity to sell all of the stock, common and preferred, at better than par, or better than 100 cents on the dollar of its capitalization.

Mr. BEALL. Take it when the common was down to 9, and combine the two stocks?

Mr. GARY. Then the selling price was away below.

Mr. BEALL. At the time that the common stock was selling at 9, at what price was the preferred stock selling?

Mr. GARY. It seems to me at that time it went as low as 50, possibly just under 50; and at that time it seems to me no reasonable man could say it was not intrinsically worth par or better.

Mr. BEALL. How high has it gone?

Mr. GARY. About 130, I think. You are speaking of preferred?

Mr. BEALL. I mean the preferred. At the time that you organized, immediately after your organization, at what price did these two kinds of stock and the bonds begin to sell? What was the valuation placed on them?

Mr. GARY. I should think about par for the preferred, and 50 for the common. That is my recollection.

Mr. BEALL. What rate of interest did the bonds bear?

Mr. GARY. Five per cent interest.

Mr. BEALL. How have they been selling?

Mr. GARY. They are selling now at about 106 for the seconds, and about 115 for the firsts. The seconds have been down as low as 68, I should think—bonds that seemed to me as good as gold.

Mr. BEALL. And the firsts—have they sold below par?

Mr. GARY. No, I do not think so. I think they have kept up to par or a little better, even in depressions. I am not sure; but there are times when it is almost impossible to sell anything at any price. Take time of panic, during these extreme depressions: If you should take almost any good railroad stock that you would say was first-class, and undertake to sell a large amount of it, you would depress the market or selling value many points. That is why I have said that during the panic of 1907, fortunately, our steel seconds were the most available for cash in the market or for security. There seemed to be the best market for them of almost anything.

Mr. BEALL. It occurs to me that here would be a good place to have incorporated in the record a statement from you showing the gross earnings of the United States Steel Corporation.

Mr. GARY. Our reports are all in, and they show with great clearness just what they have been, year by year.

Mr. BEALL. All the reports have been incorporated in the record?

Mr. GARY. Yes; they were all furnished. We will offer the reports now as a part of the record.

Mr. BEALL. Do those reports also show the net earnings of the company?

Mr. GARY. They do.

Mr. BARTLETT. Do you mean to want to put in the record all your reports?

Mr. GARY. You might as well, Judge Bartlett. All our annual reports might as well go in the record.

Mr. BARTLETT. I have no objection.

The CHAIRMAN. I think that is a very wise suggestion.

Mr. GARY. I do that in answer to the suggestion of the gentleman. You can insert such parts of them as you think proper.

Mr. LITTLETON. It is better to have them all go in.

The CHAIRMAN. I think so.

Mr. LITTLETON. Because they show the complete history of the earnings.

Mr. BARTLETT. That is entirely agreeable to me.

Mr. GARY. They give, of course, information on many of these other subjects that have been touched upon, and many outside, with reference to our properties—where they are, what they consist of, what they are producing, etc.

Mr. BEALL. Those reports, I suppose, also include the dividends that have been paid?

Mr. GARY. I am very sure they do.

(The reports of the United States Steel Corporation, above referred to, will be found printed at the end of to-day's proceedings.)

Mr. BEALL. For the immediate purposes of this examination, could you indicate the total of the dividends that have been paid upon the common and preferred stocks?

Mr. GARY. At the end of 1910, nine and three fourths years, the total dividends paid on the preferred stock amounted to 68¼ per cent, or $269,414,628.96. The total dividends paid on the common stock amounted to 24½ per cent for the nine and three-fourths years, or $124,512,257.50. The total net earnings on the total capitalization for the period mentioned I think were about 7½ per cent—maybe 7¼. The amount distributed in dividends was much less than that, on the average.

Mr. BARTLETT. Judge Gary, this report of yours for 1910 shows the dividends paid since April 1, 1901, on page 8. Is that what you are reading from?

Mr. GARY. Page 8; yes.

Mr. BEALL. Probably you have already stated it; but how much, during those nine and three-fourths years, has gone into the betterment of the property? About $400,000,000?

Mr. GARY. Yes; about $400,000,000, or a little more—that is, besides what has been paid to keep up the properties in condition, or reserves for ore taken out, coal used, etc.

Mr. BEALL. Judge, I am interested in the statement that you made about these dinners. Were they called "the Gary dinners?"

Mr. GARY. I have seen some of the papers designate them in that way.

Mr. BEALL. About what date did you begin to have these dinners?

Mr. GARY. During the panic of 1907, or just following. I think during it—before the panic was over. May I inquire whether you were present when I described that the other day—the first dinner given—when the steel people——

Mr. BEALL. I am not sure.

Mr. GARY. I stated it very fully in the record.

Mr. BEALL. I think some reference has been made to a dinner given at the time the original plans were made for the organization of the steel company—some dinner that Mr. Morgan attended.

Mr. GARY. That was a dinner given by Mr. Simmons in New York, I should think during the latter part of 1900. Mr. Schwab was present, Mr. Morgan, and others. I was not present at that dinner.

Mr. BEALL. But between that time and the time of the panic of 1907 you had not continued having these dinners?

Mr. GARY. Oh, that was not the same thing at all. It had no connection whatever.

Mr. BEALL. No connection?

Mr. GARY. No.

Mr. BEALL. Since 1907 have these dinners been held at any stated ntervals, or have they been at such times as suited your convenience?

Mr. GARY. They have been given at such times as suited my convenience and disposition, and public announcement has been made in each instance and what took place at the dinners. If there was any question of business referred to, it has been given to the public press.

Latterly, for some time—in fact, the major part—there have not been so very many dinners as you might think; but at most of the dinners what I said was taken down and written up and printed, and I have promised the committee, at their request, to furnish these printed speeches. At two of the dinners everything that was said was taken down. It happened so; and, as it was taken down, I had it written up and printed and distributed to those who were present—so that every thing that was said there was taken down. At one of those dinners the question of prices, or the question of markets, or what ought to be done was stated fully and freely by all of them, and all of us must abide by the record which we made. There is no concealment about it. There never has been. We will furnish those to the committee.

Mr. BEALL. One interesting commentary on those dinners, I noticed, was the fact that the champagne and the clams came in together. Was that the prevailing practice?

Mr. GARY. That was a facetious remark by Mr. Joe Butler, the wit of the industry; and I doubt if he ever drinks champagne or eats clams; but it was a funny thing to say, and he said it.

Mr. BEALL. If he ever did both, he would regret it. [Laughter.]

Mr. GARY. There has never been any hilarity at any of the dinners. They have been social occasions; but what has been said has been serious.

Mr. BEALL. As I understand it, representatives of different organizations interested in these general lines of industry attended those dinners?

Mr. GARY. Yes; a large percentage; at some times very much larger than at other times. Of course these are not entirely perfect, assuming that you had the right to make them perfect and would like to do it, because there as always a certain percentage of people who will not come into conferences of any kind; and those gentlemen like very much to have others hold up the umbrella for them to stand under.

Mr. BEALL. I notice in one statement that at one of these dinners 95 per cent of all the steel and iron industry of the United States was represented. I believe that was the figure.

Mr. GARY. Tell me what dinner that was.

Mr. BEALL. That was the dinner that was held January 11, 1911.

Mr. GARY. Quite likely that is true. I think that was very well attended.

Mr. BEALL. I quote from your statement.

Mr. GARY. I believe you have before you the proceedings—all that was said at that dinner.

Mr. LINDABURY. It was taken stenographically, was it not?

Mr. GARY. It was taken stenographically and printed, without any chance on the part of the speakers to revise their remarks; and I have no doubt there are a good many errors.

Mr. BARTLETT. Were there any that could not have revised them after the dinner? [Laughter.]

Mr. GARY. No, no, no; I think not, Judge.

The CHAIRMAN. I will say, Judge Gary, that that is said facetiously. This committee has no disposition to hold the "Gary dinners" responsible for the amount of champagne or the amount of clams or anything of that sort consumed. I, for one, believe that the head of the Steel Corporation and the humblest citizen of this land have the same right to eat and drink what and where and how they please

and to be questioned by no man so long as they do not interfere with some other man's rights.

Mr. GARY. That is good law and good logic.

Mr. LINDABURY. That ought to be incorporated in the committee's report.

The CHAIRMAN. It will go in the record or anywhere else. If such things should occur as that there were any personal derelictions on the part of any man or set of men connected with the United States Steel Corporation, this committee is not interested in that. I know my friend does not mean it that way. Of course I do not mean any reflection upon him; but I wish to say that these things are said pleasantly, and there is no disposition on the part of the committee to do anything of the sort I have referred to.

Mr. GARY. There is just one question involved in those dinners, it seems to me: That is whether or not it is lawful, and is good law and good morals, to endeavor by intercourse such as you see described in those proceedings to maintain to a reasonable extent the equilibrium of business, to prevent utter demoralization of business and destructive competition.

Mr. BEALL. That was the purpose of each one of those dinners?

Mr. GARY. That and nothing else.

The CHAIRMAN. As I understand my learned colleague, Mr. Beall, we are interested in determining whether or not at those dinners you fixed prices by indirection. If you did, we will probe into the dinner, and go into the banquet hall exactly as we would go into the counting rooms. If you did not meet there to fix prices, we do not care if every man had a tub of champagne.

Mr. BEALL. I am not emphasizing the champagne or clams.

The CHAIRMAN. I know; but I mean to advise the gentleman that this committee will not look into anything more than his official acts.

Mr. GARY. Prices were not attempted to be fixed, were not fixed, could not be fixed, and there was no possible way of fixing them or maintaining them, unless you have some way of having them fixed under Government control, or you are allowed to do it by positive agreements. It never has been possible. It never could be possible. We have never succeeded in doing so. But we have, by this friendly intercourse, prevented demoralization—sudden, wild, extreme fluctuations—destructive competition that would drive large numbers of them entirely out of business, and that would be ruinous to the customers of the steel people who had large stocks of goods on hand from time to time, and which would spread to other lines of industry. We have made no secret about it, and the public has known exactly what we have done; and if the Department of Justice, for instance, or the President, or Congress, should say, "This is not the wise thing to do or the right thing to do," you may be certain it would not be continued for one moment.

Mr. BEALL. As I understand it, you wanted to avoid destructive competition on the one side, and you wanted to avoid the perils and the dangers of the Sherman antitrust law on the other side?

Mr. GARY. Of monoply on the other side?

Mr. BEALL. Of monopoly, unlawful restraint of trade; and you have resorted to this means of bringing together those interested in the business for an exchange and interchange of views at these dinners?

Mr. GARY. Not so much an interchange of views as a statement of the conditions surrounding each one.

Mr. BEALL. I will ask you about this particular dinner of January 11, 1911.

Mr. GARY. Of course the proceedings speak for themselves.

Mr. BEALL. Yes. Was not the purpose of that dinner to arrive, directly or indirectly—probably the latter—at an understanding that prices would not be reduced or lowered?

Mr. GARY. Emphatically, no; it was not.

Mr. BEALL. Let me call your attention to some of the things that were said.

Mr. GARY. By me?

Mr. BEALL. By you and by others who participated in the dinner.

Mr. GARY. Very well.

Mr. BEALL. And I would like to have your interpretation of what it means.

Mr. GARY. What is the date?

Mr. BEALL. January 11, 1911.

Mr. GARY. Very well.

Mr. BEALL. Look first at page 6, about the middle of the page. I read as follows:

> At this particular time there is not in this country a demand for more than 50 per cent of the total producing capacity in our lines. It is obvious from this statement of fact that there is not enough business to go around and that there is no possible way of protecting one another and thereby protecting oneself except to submit ourselves to the conditions as they exist and to take and be satisfied with our fair proportion of the business which is offered. [Applause.]

What did that mean, Judge Gary?

Mr. GARY. It meant to say that any fair-minded man, knowing there was only 50 per cent business as compared with the capacity, would believe it to be for his own interest to be satisfied with his mills running at one-half their total capacity, as otherwise he would be necessarily involved in a competition that meant the survival of the fittest, every one struggling to get more than 50 per cent of capacity, and bringing about demoralization and ruin.

Mr. BEALL. At that time were the mills that these different gentlemen represented who were at the banquet, running only 50 per cent of their capacity?

Mr. GARY. No; on the contrary some were running, as usual, about 40 per cent, and some were running about 60 per cent; and it has been that way all the time, more or less. There is no possible way of controlling. Of course, that is my advice. I wish everyone would recognize the fact that that is what he ought to do, but he is not willing to do that. He is under no obligation to do that. And you will see, as I go on, that I state clearly under no circumstances would I bind myself to do or not to do anything; that everyone must be left free to do as he pleases. That I understand to have been the position of the Attorney General in his argument before the Supreme Court of the United States, that the law does not compel people to compete. If everyone leaves himself free to compete, then he is living up to the requirements of the law. At the same time, I would not hesitate to advise my associates to be satisfied with their fair share of business. That advice has been followed to some extent. But, as no one was bound in any way, never had to do it, they did not live up to the principle. That is the trouble.

Mr. BEALL. All through the proceedings of that dinner, Judge, does not the thought run that all those who are present are in honor bound to accept and to abide by that price?

Mr. GARY. I do not think you can connect the two statements.

Mr. BEALL. On May 4, 1911, at the Waldorf, in New York, you had a banquet?

Mr. LINDABURY. Is that in this same book?

Mr. BEALL. No; it is in a different book. I refer to page 27.

Mr. LINDABURY. That is the last meeting?

Mr. BEALL. It is May 4.

Mr. LINDABURY. Of what year?

Mr. BEALL. 1911.

Mr. GARY. And what page do you read from?

Mr. BEALL. Page 27. I read as follows:

You know I do not say that for the purpose of deceiving you at all nor for any purpose except to let you know exactly what I am doing. And, therefore, as I have said before, gentlemen, we come together upon a platform that involves the honor of a man, which is far better and far higher and far more binding upon us than any contract which we could make.

Mr. GARY. Yes. Now, I would think, if I should meet you, a competitor of mine, on the street, and ask you what prices you are charging and to what extent you are running your mills, and I should tell you what I was doing, both of us being perfectly frank and neighborly, and then I should leave you and go to one of your customers and offer to sell him goods at a less price than you told me you were selling at, that would be most dishonorable conduct on my part, and that I would have a reason to expect, as honorable men, you and I having told one another what we were doing, that we would not go and do something to the contrary of that to the prejudice of either one, without telling him so frankly. That is what I meant and that is what I have explained from time to time.

Mr. BEALL. Then I quote further from this speech of January 11, 1911, on page 7:

I say in this presence to men who know by long experience—men who know to a demonstration that what I speak is true and logical—that we have something better to guide and control us in our business methods than a contract which depends upon written or verbal promises with a penalty attached.

Now, if you made that sort of a contract, you would violate the Sherman antitrust law, would you not?

Mr. GARY. Yes, we would; but we have something better.

Mr. BEALL. You have something that is better even than a promise in writing, with a penalty attached?

Mr. GARY. I do not say that it is more binding than a contract. That is quite a different thing.

Mr. BEALL. Something better to guide you. You say—

We have something better to guide and control us in our business methods than a contract—

Mr. LINDABURY. Now, will you let Judge Gary tell what that is?

Mr. BEALL (continuing):

Than a contract which depends upon written or verbal promises with a penalty attached. We as men, as gentlemen, as friends, as neighbors, having been in close communication and contact during the last few years, have reached a point where we entertain for one another respect and affectionate regard. We have reached a position so high in our lines of activity that we are bound to protect one another.

Judge, in all these dinners, in all these speeches made at this banquet on January 11, 1911, does not the thought run through there that without entering into any written obligation or contract, or making any agreement that would put the hand of the Sherman law on you, you were in honor bound to observe——

Mr. GARY. To do what?

Mr. BEALL. To cooperate?

Mr. GARY. Well.

Mr. BEALL. In such a way as to protect each other against any reduction in prices?

Mr GARY. Not at all. It does not mean that at all; not at all; because we had no fixed prices. We have never said that our prices would be a certain thing, and they have not. Our prices have fluctuated all the time. There has never been the time that our prices remained the same, or have been all alike; never, not for a single day, so far as I know. We have attempted in this way—I have attempted, I will say, and others have attempted by this influence—to prevent this utter demoralization which results from a disposition on the part of everyone to go and get all the business he can, and at any price he can, regardless of whether it is fair and reasonable, whether it is below cost or not, whether it would destroy his neighbor and drive him out of business; a disposition to let one another know what we are doing with a view of trying to persuade everyone to keep the price up to what he thought ought to be reasonable and fair. Is it against any law for me to go to you, a competitor in business, and say to you, "Your prices, I think, ought to be higher than they are," or "ought to be lower than they are"? If you leave yourself free to make them as you please, or if I do, we do not violate the law. I have a right to tell you. We have never said, never intimated, that the prices should be so and so, and each one of us should keep these prices; never directly or indirectly.

Mr. BEALL. Have you not impressed on them time after time that it would be the grossest breach of honor for them to cut their prices below a competitor?

Mr. GARY. No, I have not; never a word. You will never find such a suggestion as that.

Mr. BEALL. I read from page 7, again:

We have reached a position so high in our lines of activity that we are bound to protect one another; and when a man reaches a position where his honor is at stake, where even more than life itself is concerned, where he can not act or fail to act except with a distinct and clear understanding that his honor is involved, then he has reached a position that is more binding on him than any written or verbal contract. [Applause.]

Why were you seeking so strenuously to impress upon them that their honor was involved in some kind of way?

Mr. GARY. So that we, coming together, disclosing our business, telling one another about to what extent we are running our mills, about how our business was going generally, what our customers were, what our difficulties were, having made those full disclosures, so that everyone would reach the decision, if possible, that he ought not to do a mean thing in the trade, in competition; in other words, so that competition should be honorable, decent, and reasonable, as opposed to bitter, hostile, destructive competition such as used to exist.

Mr. BEALL. Did you not think that the meanest thing that any of them could do would be to reduce prices?

Mr. GARY. I should think, Mr. Beall, if you had a client and I had a client, consulting you and me both professionally, going to you and asking you what you would charge him, and you told him $100, and then you should come to me and say, "That gentleman, my old client, has been in my office and asked me how much I would charge him, and I told him $100"—I having gotten that information from you, I should think if I should say to him when he came to my office, he believing I was as competent as you, that I would do it for $90, that would be dishonorable; that is what I think about it, most certainly, unless I went to you and said: "Now, you told me you said you would do this for $100, and I want to do it for less than that, and I will charge him only $90."

Mr. LINDABURY. I want to call attention to the fact that this was simply a strenuous endeavor to establish the golden rule, and that it ought to be encouraged.

Mr. BEALL. The steel rule.

Mr. LINDABURY. No, the golden rule.

Mr. BEALL. A resort to moral suasion. I quote again from page 9:

Why do I mention these things? From the abundance of the heart the mouth speaketh. These thoughts in my mind, in my heart, force expression. I deal in frankness. Why is it? Why are these thoughts in my mind? Why do they crowd into words? Because at this particular time I am anxious that no man around this table, no one connected with this business shall, for a single moment, forget the high moral obligation he is under toward his neighbor.

Mr. LINDABURY. That is right.

Mr. BEALL (continuing reading):

Because if it was the last word I would have the privilege of saying to you, I would say, with all my might and with all the emphasis that I could find words to express, I consider it of the highest importance at this particular time that every one of us should have a keen and abiding sense of the personal obligation which he has toward all others and to make no mistake of running the risk of trespassing within the domain of the rights of his neighbor, who has given his confidence and trust, and who is willing at all times to put within the knowledge and therefore more or less under the charge and control of others the very direction of his affairs.

Mr. GARY. Do you not think there is such a thing as honor among business men?

Mr. BEALL. I hope so.

Mr. GARY. They say there is honor even among thieves.

Mr. BEALL. I hope there is.

Mr. GARY. Well, that is as far as I have intended to go—as far as I have gone.

Mr. BEALL. From your definition of the condition of affairs in Wall Street, I am sometimes inclined to question it.

Mr. GARY. Wall Street is a good place for you and me to stay away from.

Mr. BEALL. For all men.

Mr. BARTLETT. Some of us do.

The CHAIRMAN. Judge, you have paid quite a glowing tribute to Mr. Morgan, and I enjoyed hearing it. Was he ever seen on Wall Street?

Mr. GARY. If you mean to ask whether Mr. Morgan is a speculator, I should say I do not believe he is. His office is on Wall Street, the corner of Wall and Broad.

Mr. BEALL. Mr. Farrell is, I believe, president of the United States Steel Corporation now?

Mr. GARY. Yes, he is.
Mr. BEALL. He made a speech that night?
Mr. GARY. I believe he did.
Mr. BEALL. Let me quote from that. I read from page 14:

I understand the policy of the corporation to be to cooperate with its competitors in the effort to maintain fair prices——

Mr. GARY. Well, that means——
Mr. BEALL (continuing):

and the stability of business conditions, by every means permissible under the laws of the country and not antagonistic to the public conscience.

That gives you the full quotation.

Mr. GARY. Yes. That means in the way I have stated, and no other way. The answer to your inquiry is found in the fact that prices have not been maintained. You will find in some of those speeches a statement by me, perhaps repeatedly, that I have never stood for unchanged or unchangeable prices; that that is not my position. And there have not been unchanged prices. They have been more or less changed all the time. That is not the point. The point is to try and prevent the kind of bitter, destructive, unfair, and unreasonable competition that demoralizes business, and drives to destruction many of the operators, of the manufacturers and their customers.

Mr. BEALL. The same kind of competition that had existed before the United States Steel Corporation was formed, to a greater or less degree?

Mr. GARY. Well, it certainly did, at times, when business was dull. There is no trouble, of course, when business is very good. But you know, as well as I, if you had to-day the old kind of destructive competition, there would not be very many companies long in the steel business. There would be monopolies then.

Mr. BEALL. Do you refer to the kind of competition that exists in other lines of industry, where they do not have these dinners?

Mr. GARY. Of course I am not qualified to speak with reference to other lines of industry. The steel industry, in years gone by, was particularly subject to destructive competition in times of depression. I do not think it applies so much to other lines. Of course, to get the sense of what I have said or others have said, it will be necessary to read the whole text of these speeches, which were impromptu and not prepared at all; but in reading them all commencing at the beginning, commencing at that first speech, December, 1908, which I made at, I believe, the first dinner after the panic, about a year later.

Mr. BEALL. Mr. Willis L. King spoke also at this last banquet?
Mr. GARY. Yes.
Mr. BEALL. Let me quote something from him. Who is Mr. King?
Mr. GARY. Mr. King is the vice president and general manager of the Jones & Laughlin Co. of Pittsburg.
Mr. BEALL. A steel manufacturer?
Mr. GARY. Yes.
Mr. BEALL. Quoting from page 21, he said:

I think, therefore, to talk of reducing the prices ought not to be considered for a moment. As Judge Gary has very properly said, it would not result in good to anyone. It would not result in more business to us, it would not do the public any good;

therefore I hope it will be the consensus of opinion here to-night that we will maintain the present prices, which are fair and reasonable, and await with patience the inevitable result, which will of course be better business, and I think in the very near future.

Mr. GARY. No doubt that was his hope and his wish and his advice, but it was not binding, and therefore was not fully accepted nor adopted.

Mr. BEALL. Was it not the consensus of opinion there that night, Judge, among all those who spoke?

Mr. GARY. You have there everything that was said by all who spoke, and speeches speak for themselves.

Mr. BEALL. Probably the entire speeches will not be in the record, but you were there.

Mr. GARY. They are, Mr. Beall; every word that was said.

Mr. BARTLETT. You mean in that book?

Mr. GARY. Yes, I mean in this pamphlet of January 11. Everything that was said at the dinner, without exception, by every speaker is there; not a word is left out, and these gentlemen had no opportunity to revise their speeches; not a particle changed; nothing added; nothing left out.

Mr. BEALL. Was not the dominant thought running through all these speeches of these gentlemen who were there that it should be the consensus of opinion among them that there should be no lowering of prices?

Mr. GARY. The speeches speak for themselves.

Mr. BEALL. You have read them. What is your opinion?

Mr. GARY. I do not think that is a fair, just opinion of the speeches.

Mr. BEALL. That is the very reason I wanted you to express your opinion, because I did not want to express mine, because it might not be fair.

Mr. GARY. I do not think so, although I feel certain that it was the wish and the hope of everyone that prices would not be reduced. Now, it would be very strange if in the speeches made by these gentlemen, with no opportunity to prepare, and with that hope and wish in their minds, they would use expressions which you would think meant that it was intended to maintain prices. But you will not find in any of the meetings any agreement of the kind. I have not attempted here to disguise the fact, Mr. Beall, that the object of these meetings was to get between the extremes of the restraint-of-trade clause and the monopoly clause and in this way to prevent, so far as we could legitimately, a demoralization of business and destructive competition; but there is nothing in any of these speeches to indicate that there was any agreement, express or implied, to do or not to do a thing, any suggestion that each one was bound to maintain certain prices, or to fix certain prices, or anything of the sort. The contrary of that was the intention.

As to whether or not this is a good thing to do, as to whether or not this is good morals, as to whether or not you gentlemen believe that it is better to enter into a destructive competition of the old kind than to try and maintain the equilibrium of business by this kind of cooperation, is for you to say. I am very sure if you want to take the responsibility as legisl tors and as lawyers and judges, if you want to take the responsibility rif the Government or anybody else in authority wishes to take the res onsibility of saying it is better to enter into a

destructive competition, and for the steel people to have nothing whatever to do with one another, not even give one another information of any sort or description, letting the business take care of itself and allowing the strongest to survive and the weakest to go down and the general demoralization which would naturally result in business, generally, to follow, then we have nothing to say; we would not oppose it for one moment; not a moment. We have done what we have considered best to be done for the interests of all concerned, and within the lines of the law as we understand it.

Mr. BEALL. As I understand it, Judge, you are frank enough to say that through the medium of these dinners you have sought to accomplish the same result that would be accomplished by making agreements among yourselves that would be unlwaful, to a greater or less degree?

Mr. GARY. I have not said that, but I have said that we have, so far as we could, attempted to prevent demoralization and destructive competition. We have not been successful, but we have been successful to a large extent.

Mr. BEALL. Quoting now from Mr. Felton, on page 22, he says:

Now, I think we have all had our eyes opened since the first meetings that were held here, and I hope we are going to keep our eyes open, and are not going to shut them up to the situatuon. If there is anybody who thinks the present business situation will be improved, stimulated, by cutting prices, he ought to consider just one branch of our business; he should look at the facts and argue from those facts.

Then he takes up the pig iron situation.

Mr. GARY. Yes.

Mr. BEALL. Who is Mr. Topping, whose speech appears on page 23?

Mr. GARY. He is chairman of the Republic Iron & Steel Co.

Mr. BEALL. Who is Mr. Felton?

Mr. GARY. He is president of the Pennsylvania Steel Co.

Mr. BEALL. You have had one meeting since that dinner, have you not?

Mr. GARY. No.

Mr. BEALL. Here about 10 days ago?

Mr. GARY. That was a luncheon.

Mr. BEALL. A luncheon?

Mr. GARY. Yes; we had a luncheon at the Metropolitan Club, which was published in all the papers.

Mr. BEALL. Mr. Topping was not present at that luncheon?

Mr. GARY. No, sir.

Mr. BEALL. No one representing the Republic Co. was present?

Mr. GARY. No.

Mr. BEALL. Why was that?

Mr. GARY. Why did he not appear?

Mr. BEALL. Why was he not present, if he had been present at the others?

Mr. GARY. I would assume from the record in this case that Mr. Gates, who has become a dominant factor in the Republic, has very suddenly reached the conclusion that he believes in open competition.

Mr. BEALL. I read from what Mr. Topping said, on page 23:

I am more convinced than ever that any efforts at this time to reduce prices with a view to stimulating consumption will be met in about the manner that Mr. Felton has illustrated.

Mr. GARY. Who says that?

Mr. BEALL. Mr. Topping. He continues:

The price line will go down much faster than the production line will go up.

Mr. GARY. He has evidently changed his mind recently.

Mr. BEALL. He has made a reduction in the prices of the products of the Republic Iron & Steel Co.?

Mr. GARY. Yes; and for the announced reason that some of the people manufacturing some of his products began to cut their prices, and, of course, he assumed he had nothing left to do but cut his. Three is quite a difference in one man going to another and saying to him, "My prices are so and so;" and then going out and selling at a lower price, and on another occasion going to his neighbor and saying, "My prices are so and so, and I think they are too high, and I can not maintain them on account of the competition I have and I am going to cut them to suit myself." Then it is not dishonorable for him to do what he pleases. But I do not think it is fair or honorable for business competitors to represent to one another that they are doing certain things which are entirely contrary to the facts; and there is nothing like publicity among decent men—that is, the disclosure from one to another of exactly what they are doing—to secure a reasonable maintenance of prices. Of course, circumstances arising day by day may change circumstances; but in the main the prices are pretty well maintained.

Mr. BEALL. After that luncheon you held a few days ago, you gave out a statement?

Mr. GARY. I made a public announcement of what we were going to do.

Mr. BEALL. Substantially, that it was the opinion of the gentlemen who were at that luncheon that the prices of their various products should be reduced to meet this cut made by the Republic Steel & Iron Co?

Mr. GARY. I think not. If you have got it, read it, and I think it will speak for itself.

Mr. BARTLETT. I do not say that it bears that out, but I have what purports to be a press dispatch, published in a paper in Macon, Ga., and I will read you what is said.

Mr. YOUNG. Will you not speak a little louder, Judge?

Mr. BARTLETT. I say that I have what Judge Gary is purported to have said at that luncheon, in the form of a press dispatch dated June 4; is that right?

Mr. GARY. I presume that is right.

Mr. BARTLETT. I cut this from a paper published in Macon, Ga., and it purports to be, and is, a press dispatch.

Mr. GARY. I think I can tell you, if you will read it.

Mr. BARTLETT. I will read this part of it:

Referring to the bombshell which the Republic Co. threw into the steel market by reducing prices, Judge Gary said: "We are confronted with a very serious and disagreeable problem. It is not for me to criticize men nor to pass judgment on the motives of men. Whether people who have changed their minds suddenly are actuated by motives of cupidity or motives of necessity is not for me to say. One thing we know, that one of the leading iron and steel companies hitherto joining in our councils, learning from us our intentions, our business, our methods, our clients, our customers, everything of benefit and interest for one to know concerning his neighbor, has suddenly, for reasons considered good by those in charge, given notice that for the present at least it is not desirable to cooperate with us."

Mr. GARY. I have no doubt I said that, in substance.

Mr. BARTLETT. It is fair to quote from something else which you are purported to have said. It refers to price cutting:

I have urged you to remember, and I again call attention to the fact, that when you make substantial reductions in your prices, if you reduce to a price that is unfair and unreasonable and you make so small a profit that it does not yield you a fair return on your investment and your risk, you at least place for consideration before everyone the possible necessity of reducing the cost of production, including prominently, if not principally, the wages which you are paying, or may be allowed to pay, to the man or the men in your employ. Do not forget that the laboring men—the employees of the corporations—have more at risk, when these questions are considered of reducing prices below what is reasonable and fair, than the employer. You have no right to run the risk of being compelled to put their wages below what they ought to be unless you are driven to it, and I hope, under the present circumstances, gentlemen, that whatever may be done, or whatever may happen as a result of present conditions, you will not reduce the wages of your employees until you feel it is an absolute necessity to do so.

Mr. GARY. I said that. I believe it. I think you will find at one of these dinners which has been referred to the principal topic for discussion—the substance of most of the speeches, at least—related to the welfare of employees. I am very sure it did. I do not think the question of prices was hardly referred to.

Mr. BEALL. In this statement, Judge, you said:

It was the unanimous opinion that cooperation, as heretofore fully explained, should be continued.

I quote that from the New York World.

Mr. GARY. I think that is true.

Mr. BEALL. This article in the World says, further:

Opinions were expressed that recent developments seem to require some change in prices. Subsidiary companies of the United States Steel Corporation have decided to make adjustments to become effective June 1, and it is believed these will be generally followed.

Do you know whether the action of the United States Steel Corporation has been generally followed or not by competing concerns?

Mr. GARY. I think it has, and perhaps a little more than followed by some. I do not see how any of the others could keep their prices up after we reduced ours. As I said before, it is pretty easy to reduce prices. That is, if even a small manufacturer, if he is a substantial competitor, reduces his prices, of course the others reduce theirs.

Mr. BEALL. On page 24 there is a little statement from you.

Mr. GARY. Of what meeting?

Mr. BEALL. This is all of the meeting of January 11, 1911. I read as follows:

I only want to call attention to the exact facts here so as to make it certain that none of us will unintentionally misrepresent the facts. In respect to some commodities, I am sure at the present time they are too low. One other thought. I agree with all that has been said by Mr. Topping and Mr. Felton and others concerning Mr. Farrell. You know about how proud I am of the fact that he is not only loyal, but that he is enthusiastic with reference to this policy of maintenance of higher prices, particularly such cooperation as advances the interests of all concerned.

Mr. LINDABURY. That is in the middle of the sentence, where you have stopped.

Mr. BEALL. I will read on:

And yet we may unintentionally, by inference, some of us, in referring to him do an injustice to Mr. Corey, and as he is not present, I think I am justified in saying that none of you I am sure will say nor do you think that in a single instance did Mr. Corey ever give you his word concerning what he intended to do without keeping that word to the letter.

Mr. GARY. I believe there is one word there that was not in the speech, but I do not know that it is at all important.

Mr. BEALL. What word is that?

Mr. GARY. That is the word "higher." It reads: "The maintenance of higher prices."

Mr. BEALL. It says: "With reference to this policy of maintenance of higher prices."

Mr. GARY. Yes. I do not know what that would mean or could mean, and I do not believe I ever said it. I believe it is either a typographical error or a stenographic error, because you will find the contrary of that expression in many of my statements.

Mr. BEALL. While I think about it, did you get any cablegrams at that dinner?

Mr. GARY. What is the question?

Mr. BEALL. Did you get a cablegram from Mr. Schwab?

Mr. GARY. Yes, there was. Is it in here?

Mr. BEALL. It is printed here, at page 6:

Gary, Chairman, Steel Corporation, New York. Sorry can not be with you at dinner to-night. Hope each will see advisability of maintaining present situation, as I believe active demand near at hand, and change will delay.

Mr. GARY. Yes; that is maintaining——

Mr. BEALL. Do you understand that means change in prices?

Mr. GARY. No; maintaining a disposition to cooperate.

Mr. BEALL. Did not that word "cooperate" carry with it the idea of maintaining prices?

Mr. GARY. No; it did not.

Mr. BEALL. Would a rise in prices have affected or altered the spirit of cooperation?

Mr. GARY. Well, I would hope that neither a rise nor a fall would prevent cooperation. But, you see, at this last luncheon referred to, notwithstanding the Republic had decreased their prices materially, and therefore it would seem to anyone necessary to decrease their prices, yet I still hope for the cooperation of the steel people—that is, the rest of us coming together and dealing with one another frankly and telling them about our business and what we were doing.

Mr. BEALL. Who was Mr. E. A. S. Clarke?

Mr. GARY. He is the president of the Lackawanna Steel Co.

Mr. BEALL. About the middle of page 25 Mr. Clarke is quoted as saying:

While I think it is well to coach salesmen, we must put into them the very spirit I think we all have here, that we are in honor bound not to change our prices without letting the other man know it, because then the salesman knows that he has an answer to give to that proposition.

Mr. GARY. Is not that fair? If the price list of any company is published, and it is well understood that it is charging certain prices for certain commodities, is it not perfectly fair for him, when he proposes to change those prices, or when he does, not when he proposes, perhaps, but when he does change those prices, is it not perfectly fair, if he is meeting the others from time to time, to say to them: "My prices are changed. I have sent out a different price list," so that everybody shall have the same opportunity? That is the only way, you see, that about fair conduct between the different people can be brought about.

Mr. BEALL. Is it expected, among the gentlemen who attend these dinners, that before they put into effect any change of price upon any of their commodities, they are in honor bound to advise all of their competitors of that intention?

Mr. GARY. I would not say it is; no. At the same time I would think, on the part of one of our companies, if it had a price list advertised, that if it decided to change its prices it would be only fair to publish the change immediately or to tell other competitors what he had done rather than to leave his price list, as published, uncontradicted, and then quietly go to work and undersell or sell below that price list, and in that way attempt to get away the business which would naturally go to his competitor. That is what this means.

Mr. BEALL. Who is Mr. C. S. Price?

Mr. GARY. C. S. Price is president of the Cambria Steel Co.

Mr. BEALL. That is a competitor, to some extent, of the United States Steel Corporation?

Mr. GARY. It is.

Mr. BEALL. I read from about the middle of page 26:

I will only speak of the business situation and indorse the fact that I consider it very inopportune at this time to make any change in prices. I do not believe that the customer wants it. It will tend to destroy stability, and while there is the keen pressure brought to bear in all directions, even going to the extent of untruths to accomplish the end, I think we would all see a repetition of what occurred in the spring of 1909, not more than a month or so later than this period of the year, where the prices were reduced, and business was not stimulated, and prices were again reduced in May, as I recollect, and the market thoroughly, in the meantime, demoralized, resulting in wage reductions which must follow.

And then, at the conclusion of the speech, after stating the report about somebody cutting prices, he says:

I believe that it is not true, and I prefer not to believe it. I therefore say that in my judgment we should, to use the expression, "Stand pat." [Applause.]

Who is Mr. A. I. Finley?

Mr. GARY. He is one of the editors of the Iron Age.

Mr. BEALL. He is not connected in any direct way with the production of steel?

Mr. GARY. No. I think the editors of the trade papers have generally been present.

Mr. BEALL. Who is Mr. James H. Hoyt?

Mr. GARY. He is a lawyer.

Mr. BEALL. Has he any connection in any way with any of the steel organizations?

Mr. GARY. No; except as a lawyer. He is a Cleveland lawyer. I am not sure whether he is connected with any of the steel companies or not. I guess not. He is attorney for the Pittsburg Steamship Co.

Mr. YOUNG. Is he attorney for Pickauds, Mather & Co.?

Mr. GARY. He may be.

Mr. YOUNG. Or for the Cleveland Cliffs Iron Mining Co.?

Mr. GARY. Quite likely.

Mr. BEALL. Let me quote from Mr. Hoyt, at page 30, and see if you indorse it.

We have rather a curious condition of affairs in this country at present. I am hopeful, however, that things will right themselves. They do things better not only in France but in Canada. There has been a decision rendered very lately which will be of interest to you gentlemen. They have an act of Parliament there which is somewhat similar to the Sherman antitrust act, if anything thing can be similar

to that incomprehensible act. The grocers of Toronto had been selling goods considerably under cost in a desire to get business, which was ruining them all. They boldly met together and entered into an agreement and fixed prices with a penalty clause, and of course the consumer, who always wants a thing at less than he ought to get it, immediately took umbrage. The judge, in interpreting that act, said that the Parliament had passed that act primarily for the benefit of the consumer; that Parliament could not mean by the passage of any such act that the consumer was to receive the benefit at the cost either of the merchant or the manufacturer; that the merchant and manufacturer must be entitled to receive cost and a fair profit on their wares; that if the act meant directly or indirectly to produce any other condition of things it would be class legislation passed in favor of the consumer, and therefore the only thing for the court to determine was whether, under this agreement, the prices were too high, and if they were not too high, but were fair and reasonable, the arrangment made by the grocers of Toronto was a fair and reasonable and proper arrangement, and he decided in that case that the prices were not too high.

Do you indorse the opinion of Mr. Hoyt, that that sort of a situation would be——

Mr. GARY. That is not his opinion. That is the opinion of the Canadian court.

Mr. BEALL (continuing). Would be preferable to operating under the Sherman Anti-Trust Act?

Mr. LINDABURY. Mr Hoyt does not say that. He says they do it differently in Canada, without expressing any opinion.

Mr. BEALL. He says; "They do things better, not only in France, but in Canada." He says they do things not only differently, but "better."

Mr. LINDABURY. Very well.

Mr. GARY. Now, you asked me whether the decision of the Canadian court——

Mr. BEALL. I asked you whether the condition he describes there as existing in Canada is preferable——

Mr. LINDABURY. I object to that question, and submit that it is one that ought not to be asked of a witness and that the witness ought not to answer.

The CHAIRMAN. Mr. Lindabury, I would say this, that we have heard Judge Gary, not only as a witness as to facts, but as a great financier. Whether his policy with reference to the United States Steel Corporation is wise or unwise, legal or illegal, is another matter; but we have heard him because of his high standing and his experience indulge in many digressions with reference to the value of the Sherman antitrust law, in a philosophical way, and it is a matter that has attracted the attention not only of this committee but of the country, and I am sure that Judge Gary—well, I will not say that, but I will say Judge Gary is privileged at this time, if he cares to, to refrain from expressing an opinion with reference to the situation described there, or not. If Judge Gary says he does not care to say whether he regards that situation as better than the one in America, or does not care to express any opinion on it, I would suggest to my learned colleague that he do not press the question.

Mr. LINDABURY. I call attention to the fact that what is here given is merely the result of this Canadian act to a specific case, and from that Judge Gary is asked to venture an opinion as to the comparative merits of the two acts, which no man could intelligently do.

Mr. BEALL. He can refrain from answering if he does not care to express his disagreement with that opinion.

Mr. GARY. I have not any opinion about it, Mr. Beall.
Mr. BEALL. Either in agreement or disagreement?
Mr. GARY. No.
Mr. BEALL. Let me quote further from Mr. Hoyt. I read from page 31:

Of course this putting gentlemen in jail for innocently doing what they think they have a right to do works two ways. It might result not in benefit to the one who is disciplined. I remember a story which I told to Mr. Perkins the other day of the mother who attempted to correct her child, and finally told her if she was not good she would shut her in the closet. Well, the child was shut in the closet, and the door was closed, and presently the mother began to be alarmed, the child was so silent in there, so she opened the door and said: "Dorothy, you may come out." But the child said: "I do not want to come out; I had rather stay here. I have spit on your ball dress; that is what I have done. I have spit on it and I have opened your new hat box and I have spit on the plumes, and I have spit on your nightgown, too, and on your new shoes and now I am waiting for more spit." (Laughter and applause.) When you begin to lock up business men in this country and prevent the exercise of their functions, they may be silently waiting for more spit. Now, as has been said by Mr. Perkins, the great thing is what the Supreme Court is going to do.

Then he quotes poetry.
Who is Mr. I. M. Scott?
Mr. LINDABURY. What is the question of which this is the prelude?
The CHAIRMAN. He does not have to ask a question.
Mr. BEALL. I am simply calling Judge Gary's attention to some of of the charming and admirable things that were said at one of these dinners, which evoked much laughter and applause.
Mr. BARTLETT. It is an old story.
Mr. GARY. Mr. Hoyt is a good speaker and tells a story very well, and I have no doubt that I laughed, with the rest of them, at that old story.
Mr. BEALL. Who is Mr. I. M. Scott?
Mr. GARY. He is president of the La Belle Co.
Mr. BEALL. I read from page 36. He said:

Speaking for our company, we are in favor of maintaining the situation. Logically, I do not consider that there is anything else to do.

What did you understand by "maintaining the situation"?
Mr. GARY. I do not know that I could answer that.
Mr. BEALL. Who is Mr. A. F. Huston?
Mr. GARY. He is president of the Lukens Iron & Steel Co.
Mr. BEALL. Along toward the top of page 38 I read as follows:

We are all of the same opinion about the maintenance of prices. I heard the remark made by a prominent steel man last month. He said he had never seen a genuine buying movement without first a decided drop in prices to stimulate it. I have been thinking of that a good deal since. He probably never saw anything else in the past. I do not remember at any time when a genuine buying movement started when there was not a drop in the price, before we stood together.

It struck me that that was a significant expression.
Mr. LINDABURY. Would you mind reading the next sentence?
Mr. BEALL. I will accommodate you.

There always was a wild scramble for business whenever conditions got as they are to-day.

Mr. GARY. Of course he meant to say that all of his people were in favor of maintaining prices, and he meant to say that the steel people should continue to cooperate. I could not put any other meaning on it. I have no doubt that is what he meant to say.

Mr. BEALL. Did you not understand that the "standing together" related to the maintenance of prices?

Mr. GARY. No; I did not. I understood that it meant the cooperation, the meeting together, the disclosure of our business.

Mr. BEALL. Who is Mr. F. S. Witherbee?

Mr. GARY. He is the president of an iron company.

Mr. BEALL. At the bottom of page 42 and the top of page 43 appears the following:

I was very much impressed this fall in visiting Germany and having the opportunity to discuss matters with a very prominent iron and steel manufacturer in that country. He said that while we had the best plants and the largest output, etc., that the one glaring weakness with us in this country was the lack of stability in prices. He said: "You never can succeed permanently in maintaining prices unless you meet frequently together. Now," he said, "the reason we in England, Germany, France, and Belgium succeed in maintaining prices and stopping fluctuations is largely because we meet frequently and get together." Now, I told him, which I am very glad to repeat here to-night, that we were getting closer together, thanks to Judge Gary and others, by these frequent dinners and meetings that we have had, and that we are no longer isolated as we were a few years ago. We are getting together and studying our differences, and in a very short time I think we can meet the criticism of our German friend as to lack of stability in prices. Judge Gary and others started the movement by making the prices of rails practically stable, and there is no reason, it strikes me, why in time we should not make the prices of other articles we manufacture quite as stable as rails are to-day or certainly much more than they have been in the past. I want here to publicly acknowledge to Judge Gary my personal gratitude for what he has done toward that end. [Applause.]

There has not been any fluctuation since 1899, has there?

Mr. GARY. Probably 1901, but that is not important.

Mr. BEALL. Ten years.

Mr. GARY. Not very much.

Mr. BEALL. Mr. Witherbee expressed the hope that as a result of those meetings and meeting frequently together that the time will come when the prices of other articles of manufacture might be maintained at the same degree of stability?

Mr. GARY. No doubt he hoped for that; that would be ideal but, unfortunately, impracticable.

Mr. BEALL. Who is Mr. Dupuy?

Mr. GARY. He is the president of the Crucible Steel Co. of Pittsburg. I think that is the only meeting he has ever attended.

Mr. BEALL. Does that company compete with your corporation in any way?

Mr. GARY. I do not think it competes with any of the others.

Mr. BEALL. Mr. Dupuy said:

I think the spirit of cooperation is a splendid one. We will strictly adhere to that idea. [Applause.]

Who is Mr. David Reeves?

Mr. GARY. He is the president of the Phoenix Iron Co.

Mr. BEALL. He says on page 45:

I am heartily in accord with the spirit that brings us together frequently at these conferences, and I think the policy that we have been pursuing is wonderfully vindicated now that we are producing only 50 per cent of our capacities and no great demoralization in many lines has followed. I think we are to be congratulated in having a wise policy laid out for us and having followed it so well. [Applause.]

What did he mean by saying—

I think we are to be congratulated in having a wise policy laid out for us?

Mr. GARY. I should think he referred largely to what I had said in the few informal talks I had given at different times. That would be my impression, although I do not know. I do not think it is true that his concern was operating only 50 per cent of its capacity, but I think it was operating considerable more than that, but the business offered in the country was only about 50 per cent of the capacity of the country and so he took that as a basis, perhaps.

Mr. BEALL. Who is Mr. I. A. Kelly?

Mr. GARY. He is the president of some company, I have forgotten the name, the Ashland Steel Co., of Ashland, Ky.

Mr. BEALL. At the top of page 46 he says:

I heartily cooperate in everything that has been said here to-night, and so far as our company is concerned we are ready and willing to still cooperate to do what we can to maintain prices. [Applause.]

Do you not think that running through all these speeches that were made at the banquet the idea was to bring about such a condition, without going into any iron-clad agreement, to bring about a condition where no man who attended would feel in honor that he could take any action tending to the lowering of prices in steel products? Do you not think that is just as effective as an agreement signed and sealed by all those who attended the dinner?

Mr. GARY. It is not, or anything like that. It is not effective; it is influential. These meetings were calculated to influence people to maintain their prices. There is no doubt of that, but as I understand the vice of the law is in obligating people to maintain prices, in preventing absolute freedom on the part of each one to do as he pleases. I think the vice in conduct which is unlawful is found in the release of one's freedom to do exactly as he pleases. It was intended to influence people so far as we legitimately could to maintain fair prices, each one for himself using his best judgment, after full knowledge of the business of all.

You will see where I have said at different times exactly what I had in mind what we would do and what we would not do. That was the cardinal doctrine.

Mr. LITTLETON. Did I understand you to say that you considered that the Sherman antitrust law did not mean a contract or agreement unless it was one that was enforcible by either party?

Mr. GARY. No; I would not say that. No; I think an agreement to maintain prices even though you could not enforce it would be contrary to the Sherman antitrust law; but I think that if two or three of us should come together and say: "We will tell you what we are doing all the time, we will not agree, but we will not change it, and if we change we will notify you. We will not put ourselves in a position where our freedom to do as we please is in any respect abridged, but we would like to have fair prices maintained. We think it is for the best interests of all concerned, ourselves and our employees and customers, to maintain fair prices and to prevent resort to tricks in the trade calculated to unfairly and indecently get business away, which always results in destructive competition." I think that is all perfectly legitimate in view of the Sherman antitrust law. That has been my idea. I will be very glad to have the opinion of Mr. Littleton or Judge Bartlett or anyone else on that subject. Certainly, if I thought it was wrong or that we were doing anything wrong, I would not continue it for one moment.

Mr. LITTLETON. Suppose, Judge Gary, that we agree that the Sherman antitrust law would forbid an agreement to maintain prices, if you had entered into one at one of these dinners. I think that could not be disputed?

Mr. GARY. No, sir.

Mr. LITTLETON. Now, suppose, Judge Gary, you came together and by foreclosure of the situation each to the other by this mutual and well-intentioned cooperation of which you speak the same result is accomplished, to wit, the maintenance of prices, the object which the Sherman antitrust law sought to prohibit has been accomplished, has it not?

Mr. GARY. No, sir; I do not think it has.

Mr. LITTLETON. You think that the Sherman antitrust law was directed at the agreement rather than the result of the agreement?

Mr. GARY. I think so; I do, really.

Take the case of two blacksmiths, for instance, and they come down the sidewalk together in a village town every day; one lives on one side of the street and the other on the other side, and one says to the other: "What are you charging for shoeing horses? I am charging a certain price." The other says: "Well, I am charging that same price," and that is all that takes place, and the result it that they maintain those prices. I do not believe that that would be a violation of the Sherman antitrust law. It does not seem to me that it is intended to prevent that. The result is just the same as though they had agreed.

Mr. LITTLETON. But would not that be because there was no agreement either express or implied between them?

Mr. GARY. Perhaps it would.

Mr. LITTLETON. If, by foreclosure of the situation of each to the other, and if by this mutual and, I will say, well-intentioned cooperation and meeting together, and if, by the experience of conference, each understanding the other, it might not come to a common point with a common purpose, each—obliged by his natural sense of honor—should feel obliged to maintain prices, does not that bring about the same result as if there were an agreement?

Mr. GARY. No; it does not bring about the same result.

Mr. LITTLETON. So far as the effect on the trade is concerned?

Mr. GARY. No; it does not by a good deal.

Mr. LITTLETON. Perhaps I did not add one condition; suppose they did, then it does accomplish the same purpose?

Mr. GARY. Of course if you and I, knowing exactly what the other is doing from time to time, continue to do that same thing, then the result is the same as if you and I agree to do that.

Mr. LITTLETON. You will recall—I do not recall it exactly—one of Mr. Lincoln's favorite illustrations that if four men in four counties each whittled on a piece of wood for four or five days and met at the county seat and put their pieces of wood on a table and they all fitted with each other that he would ask nobody to furnish him with any evidence of the fact that they had had an agreement in advance that they would all whittle in a certain direction and that they would meet there, and he thought that was the highest authority.

Mr. GARY. I am not familiar with that. I am certain in our case the sticks do not fit. They never have fitted; they have never been like anything else.

Mr. LITTLETON. Although there has been a good deal of whittling?

Mr. GARY. Although there has been a good deal of whittling, but that is the trouble, they have been whittling at random more or less by trying to keep posted with one another's whittling. That is a very apt illustration and I am very glad it has been suggested.

The CHAIRMAN. Judge Gary, you spoke of things on several occasions being at variance with that of other gentlemen connected more or less directly with this business; for instance, what Mr. Morgan thought and what you thought of the effect of the threatened competition by Mr. Carnegie?

Mr. GARY. I do not think I said that.

The CHAIRMAN. That occurred before the Ways and Means Committee, and I will not go back to it.

Now, there is a difference of opinion between yourself and persons generally to the effect that these convenings or meetings or dinners or whatever they are called upon trade. Is not it the consensus of opinion in this country and in Europe that the purpose of these dinners, the effect, was to maintain prices at a given and known level?

Mr. GARY. No, sir.

The CHAIRMAN. I will call your attention to a statement purporting to come——

Mr. GARY (interposing). The intention has been and the effect has been to maintain reasonable pricse more or less all the time on the part of those connected with it. I have hoped that it would be very extensive and at some times I have thought it was, but the results have not been like they would have been if there had been an agreement with a penalty such as used to be made before I came into the business at all.

The CHAIRMAN. I am moved to ask this question by an interview, a special to the Washington Post, published in all the papers of the country, a special cablegram interview with Mr. Carnegie, in which he hails Judge Gary—I am reading the headline—as the "commander of the industrial world," etc. In that interview he said:

> Judge Gary knows that the meetings held of steel manufacturers had no aim other than to maintain prices, and that the people would never tolerate such monopoly. He proves his greatness by boldly meeting the issue. He bridges the chasm and deserves great credit for going to the root of the diseases and adopting the only remedy.

Mr. GARY. I would use his own expression, "who will guarantee the guarantor."

The CHAIRMAN. Judge Gary, you keep up with the iron industry of the world; you are bound to do that—that is, you know about it and what they are charging for similar products all over the world?

Mr. GARY. I know more or less about it. At the time of the meeting of the Ways and Means Committee I took some pains to post myself with regard to the cost of production in different countries.

The CHAIRMAN. What is the leading iron and steel journal published in Germany which corresponds to the Iron Age published here?

Mr. GARY. I do not know.

The CHAIRMAN. I will ask you if the paper published by the Society of German Iron Metallurgists in Dusseldorf, Germany—I have before me the seventh edition—is not an acknowledged authority?

Mr. GARY. I can not answer that question; I do not know.

The CHAIRMAN. Have you never read it?

Mr. GARY. Is it in German?

The CHAIRMAN. Yes, sir.

Mr. GARY. Then there is good reason why I have not read it.

The CHAIRMAN. You have heard of the publication?

Mr. GARY. I do not know that I have, but that would not be surprising.

The CHAIRMAN. I do not know. I understand that it is an ably written article and I know that Judge Gary must be well advised of this great business of which he is the head. I wish to quote you——

Mr. GARY (interrupting). Quote me?

The CHAIRMAN. Quote to you from this ably written article.

Mr. BARTLETT. Will you read it in German?

The CHAIRMAN. No, sir; I will not.

The translator has used this word—I would say various steel "conventions," but the translator has used the word "kartells."

It says:

The steel trust was organized in 1901 from a number of large steel works, of which the Carnegie Steel Co. of New Jersey was the largest. The Steel Trust is a pure holding company, with a capital stock of $1,100,000,000 and $600,000,000 of bonds. Its share is 60 per cent in the total steel production and 70 per cent in wire rods and wire nails production.

Is that a correct statement of the affairs of your concern?

Mr. GARY. I have given you the facts.

The CHAIRMAN. I do not remember them. That is fairly correct?

Mr. GARY. That is exaggerated.

The CHAIRMAN. It continues:

Outside of this, it has so-called "gentlemen's agreements" with its competitors in regard to various products; that is, understandings have been reached which are kept effective in the regular steel conferences. That such enormous concerns have immense advantages in the reduction of cost of production and operation is self-evident, and of great importance in the development of our German iron industry. Some years ago experts, as well as others, engaged themselves with the question of Government regulation of our kartells, etc.

Mr. GARY. Would you like to have me admit or deny it?

The CHAIRMAN. Have you any idea how this impression became so generally disseminated that these dinners have some direct or indirect effect upon prices?

Mr. GARY. How could I know anything about it? Of course I do not.

The CHAIRMAN. Judge Gary, you have surprised, perhaps, and certainly interested the political economists of this continent in the announcement of a theory of Government regulation of prices for the commodities of interstate commerce. Is that an original idea, or has it ever been, to a degree, tried in foreign countries?

Mr. GARY. Has it been tried in foreign countries?

The CHAIRMAN. Yes, sir. Have you followed up the history of the effort to put into practical operation in Italy and Germany and other foreign countries the theory that you announced here?

Mr. GARY. I have not. You will remember that, before the Ways and Means Committee two or three years ago, during the examination by Mr. Clark, I said that I was in favor of enforced publicity and Government control; but it was, perhaps, rather on the spur of the moment that I said that.

The CHAIRMAN. Judge Gary, the advantages, as I understand you, to come from that condition of affairs would be, first, uniformity of conditions of delivery?

Mr. GARY. Conditions of delivery?

The CHAIRMAN. Yes, sir.

Mr. GARY. I do not know just what you have in mind, Mr. Chairman.

The CHAIRMAN. If the Government should regulate prices, for instance, I will give you an illustration. What is the price of steel rails?

Mr. GARY. $28 at the mill is the normal price; that is about the price.

The CHAIRMAN. At the mill where?

Mr. GARY. The manufacturing point.

The CHAIRMAN. You charge the same price at Chicago as at Pittsburg at the mill?

Mr. GARY. Yes, sir.

The CHAIRMAN. Is there not a difference between those two points of $2 a ton?

Mr. GARY. $2 or more.

The CHAIRMAN. Do you charge the same price for rails at the mill in Pittsburg and at Chicago?

Mr. GARY. We charge the same at Pittsburg and at Chicago.

The CHAIRMAN. Do you mean that you can get rails at Chicago for the same price as at Thompson's, near Pittsburg?

Mr. GARY. You can.

The CHAIRMAN. Do you charge the same price for rails everywhere?

Mr. GARY. At all the mills.

The CHAIRMAN. I was under the impression that there was a difference.

Mr. GARY. For the same character and quality of rail.

Mr. BARTLETT. F. o. b.?

Mr. GARY. Yes, sir.

The CHAIRMAN. Who pays the freight where the rails are bought at the mill?

Mr. GARY. The purchaser. Of course, I think there have been some slight exceptions; but that is the rule.

The CHAIRMAN. You speak of selling rails for a less price abroad than at home. Does that prevail where you sell your rails in the possessions of the United States; do you make the same cuts that you do to other countries?

Mr. LINDABURY. The dependencies.

Mr. BARTLETT. The Philippine Islands, Porto Rico, and Panama?

Mr. GARY. I can not answer that question offhand. I think not, but I am not certain about that. I would have to post myself in regard to that.

The CHAIRMAN. Judge Gary, when a person buys rails to be shipped a thousand miles, or a considerable distance, do you give the purchaser the option of routing the rails?

Mr. GARY. I think the purchaser has the option.

The CHAIRMAN. I will ask you if the United States Steel Corporation sold any rails in 1910 or 1911 to the Panama Railroad Co.

Mr. GARY. I think that we sold some.

The CHAIRMAN. Do you know what you charged for them?

Mr. GARY. I do not. I believe, though, that we were brought into competition there with foreign rails and that we sold them at a little less than $28 a ton; that is my impression.

The CHAIRMAN. I will ask you if an attempt was not made to permit the Panama Railroad Co. to buy rails and ships and transports in the open market and that some of our wise brethren forbid us from doing that?

Mr. GARY. I can not answer that question.

The CHAIRMAN. I want to call your attention to the hearings before the Appropriations Committee concerning the estimates for the construction of the Isthmian Canal for the fiscal year 1912. On page 92 appears the following:

Col. DEVOL. There is a substantial reduction in "rails and fastenings." We expended in the year ending June 30, 1910, $495,990.95, and the estimate is $389,030.20.

The CHAIRMAN (then Mr. Tawney). According to the figures here you expended only $235,439.53?

Col. DEVOL. Those figures can not be depended upon.

Mr. FITZGERALD. How much do you pay for the rails?

Col. DEVOL. $31.35 for rails delivered at c. i. f. at Colon.

Mr. SHERLEY. At what are they quoted abroad?

Col. DEVOL. I do not know.

Mr. SHERLEY. That is a quotation easily obtained?

Col. DEVOL. That price is for open-hearth rails.

Mr. FITZGERALD. Have you been paying the same price since the tariff was reduced?

Col. DEVOL. We paid last year just about $31 flat. That is, delivered here.

Now, if such inequalities exist and the point of delivery fixes the price of the rails rather than the cost of production, that would be a subject of cognizance by the legislators in fixing the price of commodities?

Mr. GARY. I do not understand your question.

The CHAIRMAN. I mean if the Government had control of prices and they found that the railroads and manufacturers by some understanding, dealing their cards under the table—I do not know what that expression means, but I have heard it—some secret agreement between them, by which the man distant from the mill pays more for his rails than the man at the mill or more than the freight rate would justify, that would be a subject for the cognizance of the legislators?

Mr. GARY. If the Government controlled prices, then it would control the prices, of course.

The CHAIRMAN. That is one of the things which the Government would reach by controlling prices. Would you have the Government touch the question of the regulation of production?

Mr. GARY. I do not think I would offhand. I would not have the Government undertake to run business.

The CHAIRMAN. I will ask you if the political economists have not suggested that the German Government should fix the prices for manufactured articles made by great concerns like the Steel Corporation as well as to control the railroads and fix the tariff rates, that if while the German Government has not agreed to do that at least has not that been open and has there not been an understanding between the manufacturer and the Government by which the manufacturer has been permitted by connivance with the Government to keep certain cartels inviolate as to contract, cartels of production and prices?

Mr. GARY. I think those contracts are permissible in Germany.

The CHAIRMAN. I will ask you if the result of that state of affairs has not been that the Government, deriving revenue from the railroads and having it in its power to manipulate prices in the interest of the manufacturer—I will quote a list of prices here to show you

what I mean—the rate from Hamburg to Cologne on a ton of manufacture for export is $3.14 and the normal rate for other people within the German Empire is $6.38. The rate on iron plates and locomotives from Cologne to Hamburg is $1.37 a ton, and the normal rate is $3.83 a ton.

Mr. YOUNG. The normal rate on iron and steel products?

The CHAIRMAN. The normal rate on iron plates and locomotives.

I will ask you if the result of that was not that the nobility of Germany men in high authority, became financially interested in the steel industry to the extent, for instance, that Miss Krupp's marriage became a matter of state concern and the Emperor's consent had to be obtained and so far as their having government control the combined power of the common carriers and of the manufacturers of steel became silent partners of the Government to the detriment of the people?

Mr. GARY. You have gone beyond my depth and I can not answer that question, but I would be willing to go a good ways in trusting the Government of the United States.

The CHAIRMAN. I will ask you this question in perfect good faith, because I know you have given this subject much more study than I have, and yet I feel it is a question of such supreme importance that I wish to get your opinion of these German authorities who seem to have discussed this subject at some considerable length some years ago, and with your consent I will ask to have inserted in the record the document from which I have questioned you, it being a translation of general representation of the iron industry published by the Society of German Iron Metallurgists in Dusseldorf, Germany, seventh edition, 1910.

Mr. LINDABURY. As a part of Judge Gary's answer?

The CHAIRMAN. No, but as a matter of interest. I do not think that we understand exactly the relation between the German cartel and convention. This is a scientific discussion of the matter and this article discusses it at great length, the effectiveness of these conventions. By some inadvertence, I can not understand what, this writer on account of his remoteness from the situation has failed to draw the distinction between the German cartel and the Gary dinner, but with that exception I think the article is ably written and fairly accurate.

Mr. GARY. With the idea that I do not adopt it or repudiate it, I have no objection.

(The translation referred to by the chairman follows:)

Translation of pages 205 to 213 of general representation of the iron industry published by the Society of German Iron Metallurgists in Dusseldorf, Germany, seventh edition, 1910.

CARTELS.

In common usage the word "cartels" is erroneously applied in many cases to most all kinds of industrial organizations without reference to the basic differences which exist between them. In order that a proper interpretation of the word "cartels" may be obtained, we must make a clear distinction between the different organizations which protect the independence of the producers and those which destroy that independence. Combinations such as the last mentioned are designated to-day as trusts. Their characteristics consist in the loss of independence of the individual works following the union of such works as are similar or whose processes of production are in course of construction.

Cartels, on the other hand, are organizations based upon the voluntary agreements which do not limit the independence of the individual producers, and which have for

their object a profitable regulation of production and demand by means of limiting competition as far as possible. The simplest forms of these cartels are agreements made for the following purposes.

1. Uniformity in conditions of delivery. (Condition cartels.)
2. Regulation of production. (Production cartels.)
3. Uniformity of sales prices. (Quotation cartels.)
4. Division of market territory. (Territory cartels.)

These combinations, frequently called conventions, may have for their object the formation of either one or all of these agreements. With liberal cartels of this character the works deal directly with the consumer, and therefore their effect is only a limited one. Of much greater importance are those cartels wherein the different members not only bind themselves to the foregoing rules, but also agree not to quote direct on either one or all products, but agree to turn this over to a central union, the cartel, which makes all quotations.

The previously mentioned kartells only deal with the making of sales. As a direct result of these cartels, unions were soon organized for the common purchase of materials, which might be called purchasing cartels. We will not touch upon these as yet, as they are of no immediate importance in the primary industry, as the cartel for the purchase of scrap iron is now only in the course of formation.

The main difference between the present cartels and the old trade agreements consists in the fact that the present cartels are voluntary combinations, while the old forms were sales agreements under the regulation and control of the Government, although to-day there is a tendency again for such forced Government regulation as is manifested by the potash industry and which is also in vogue in some of the industries of the Italian Government where the Government controls these agreements. However, the present cartels are still voluntary agreements and owe their existence to the modern methods of production. The enormous progress during the last century is responsible for the immense tonnage-producing capacity of the primary iron industry which resulted in a material reduction in the cost of production. The improvements of transportation and the immense accumulation of wealth promoted new undertakings. These new enterprises, equipped with the most modern mechanical devices, increased production, and with this increased supply prices were made to tumble to such an extent that large investments of capital could no longer be guaranteed a sufficient return. To overcome this unbearable state of affairs, which also was felt by the social economy of the country, cartels were devised and have been called by many writers "children created by the necessity of the times." The consummation of cartels was facilitated by the representations of the older interests, inasmuch as being on mutual grounds, the preliminary proceedings were easily arranged for by the promoters, and to the various associations of the iron industry must be given the credit for having laid the foundation of the many cartels which now exist.

It was very fortunate for the state of our iron industry that cartels were brought about, as in no other industry except the textile are the variations of demand so great. This is due to the wide fluctuations of demand by the railroads and building industries, which are known to be the greatest consumers. On the other hand, the increased tonnage production requires a constant and uniform market, as continuous operation of works is the foundation of modern productive methods. In order to attain the highest efficiency the industry was forced to do away with the more liberal agreements and adopt such cartels as would regulate production, sales quotations, and market, which in course of time constantly strengthened and reached the highest state of development in what is known as the Steel Works Union of Germany.

Without reference to details, the operation of this cartel was a great success; the promoters, being able to stand pat with reference to the consumers, were enabled to make greater profits with less risk of the capital invested. As a natural consequence, the values of the works (stocks) were enormously increased.

With respect to operative results, the so-called miscellaneous product works—that is, those which are similar or whose processes of production were in course of reconstruction—were led into more quiet channels, thus weakening their tendency toward development into modern works of the times, and yet retarding thereby the dismantling of delinquent and out-of-date establishments which were no longer equal to present-production requirements. In keen competition this development would have been more rapid with more painful and disastrous results, not only for the individual works of this character, but in their entirety. We will touch upon this subject later.

Not only did the promoters benefit from the cartels, but the purchaser as well. The fixed, uniform quotations enabled him to rely upon his figures, and prevented advantages to any of his competitors. In addition, the cartels—for example, the

Steel Works Union and the Coal Syndicate—allow to those industries which are members of the cartel, export rebates, the amount of which is regulated by the conditions of the world's market, which amounts to the same as lower export rates (dumping rates), as have already existed prior to the formation of the cartels.

Last, but not least, labor benefits by the existence of these cartels. This is recognized by the social democratic leaders—as, for example, Mr. Hue—as they provide for higher wages and more uniformity of employment.

The introduction of the cartel system into the iron industry dates back to July 28, 1843, when a meeting took place at Bonn of furnace and rolling-mill owners. * * * Various other organizations were known to exist from time to time which had for their object the common sale and purchase of material. (See part of par. 3, p. 208, omitted.)

The first German cartel, in the sense in which it exists to-day, was developed by the iron industry in the form of the tin-plate combination founded in the year 1862 and which still exists. The original unions (combinations or pools) of the manufacturers of structural material and rails can also be traced to this date. During the time of complete free trade all cartels, with the exception of the German Rail Association, which remained intact, were "busted," this being a proof that the protective tariff is not the indispensable foundation for the formation of all cartels as is frequently and falsely claimed by the opposition to the cartel system.

However, we will not dispute the fact that the tariff favors the formation of cartels. This is confirmed by the vigorous growth of cartel promotions which followed the introduction of the German tariff. The liberal cartels which were then founded were subject to constant change. They came and went out of existence, depending upon the social economic conditions of the country. A depression or crisis (panic) dissolved most of them, while a rising market again welded them together. It thus appears that while the cartels had a wide and favorable influence in the development of prices in good times they could not maintain prices during dull times, as the cartel would generally be destroyed at the beginning of a crisis.

Not until the year 1893, when the mining industry completed the formation of the Exemplary Coal Syndicate, did the iron industry take action for the formation of a more stable union. Independent cartels were for the regulation of prices, production, and marketing, but not until 1904 was an organization completed through which all of the various iron products were placed under one control, namely, the German Steel Works Union. This union was founded in the form of a stock company and stands by itself in the history of cartels. As already stated, it was the first successful cartel organization where numerous products were controlled under one head. This Steel Works Union absorbed the Rail Association, the Beam Association, (beam pool) the Semifinished Products Association (pool), and on its own account regulates not only the production and sale of the various products formerly governed by three associations, but contingent therewith controls as well the entire steel production of its members, which comprises 87 per cent of the steel production of the entire German customs territory, inclusive of Luxemburg. It is therefore evident that the Steel Works Union is the highest developed cartel of which we are aware. It is to continue in force in its present form until June 30, 1912, and it is to the interest of the entire iron industry and to the social economy of the country that its existence may continue and not be wrecked by the selfish actions of individuals. A wholesome example and warning might be derived from the dissolution of the Pig Iron Syndicate.

In the meantime the organization of the pig-iron cartel has been accomplished in the East in Siegerland as well as in the Southwest, although the difficulties in the way of a common German pig-iron cartel have not yet been overcome. At present there is an understanding as regards stability of prices for pig iron between the miscellaneous Rhenish-Westfalian and East German works in the form of a loose price convention, with which the works in Siegerland and one other establishment have not yet associated themselves. The wire syndicate also continues in force until June 30, 1912. It is of interest to note that a so-called price convention has been entered into for bar iron, which does not expire until the 1st of January, 1911. There are also cartels for the sale of steel castings, steel tires, steel for shipbuilding purposes, band iron, black plates, cast pipes, steel flasks, gas and steam pipes. The latter expires in the near future, and according to all appearances its fate is sealed. Further, there are cartels for a number of products of manufacture which are made by the secondary industries. Altogether there are 52 cartels of various kinds.

The German iron industry also participates in the international cartels for rails, structural shapes, wire, and wire nails.

We have already called attention to the fact that in consequence of cartels there is brought about certain influences tending toward the concentration of the German iron industry. This concentration movement must be divided into two classes. The

first is organic, resting on the principle of further development that is the art of production of enlarged concentration, and the second a concentration of enlarged combinations having a defined scope of operation. The first consists in the acquisition of coal lands, ore mines, rolling mills, etc., the latter in combining numerous similar works. This development is not only due to the nature of the present methods of production, but is commended by reason of the world's competition. The influence of the cartels consisted in bringing about this transaction in a comparatively slow and peaceful manner. The method of development of concerns is different. To begin with, it took place in the iron industry by means of complete confusion. Partly on account of financial reasons, it is only recently that the example of other economic managements has been adopted, namely, joint stock companies, which throw their profits together to be distributed thereafter in accordance with determined proportions. In order to insure the control of such companies one would have to acquire a majority of the stock or participate therein. The more this form of corporation is developed and reaches out, the more will it take the place of the cartel in its present form, in fact, partly make it superfluous. For all conditions this, however, is not to be expected for the present.

Much more likely is this to occur in England, where the cartel development in the iron industry is very much less in use than with us. The reasons for this other style of development are different. First, the legislation and administration of justice are strongly against those combinations which tend toward the restraint of trade. Then it was found that free-trade teachings had strongly influenced the individualistically inclined English producer against combinations; furthermore, the cartel missed its support, namely, the protective tariff. Finally, the English industry has not the great domestic demand that exists in the German and American iron industry, so that it was and is yet strongly dependent upon its exports. Notwithstanding this, cartels have been formed and again dissolved. The oldest cartel belonged to the British coal mines during the eighties of the eighteenth century. The English cartels were mostly of a territorial nature, and to the account of that can be traced their weakness. They were not only subject to discord among the participants of their respective territory, but had constant conflict with the English producers of other territories and were, therefore, subject to greater changes than those of the Germans.

Should Great Britain ever adopt a protective tariff, then will the endeavor to organize cartels take new life. In that case it is an open question whether they will adopt the cartel system, or whether they will take enormous strides and develop into concerns, or pass over to the American form of trusts.

In the United States of America the development took place similar to that in England, except that here it has made significant strides. In that country, as in England, legislation made many difficulties for their development. Besides the usual cartels, trusts were formed which were of decided importance, not only for the iron industry, but other enterprises. Here, as well, legislation made many difficulties in the development of these organizations. As already stated, the characteristics of trusts consist in the union of a number of works by means of fusion or in a so-called holding company (controlling company), with a loss of independence of the individual works. As the Steel Works Union in Germany is the most prominent defender of the cartel system, so is the United States Steel Corporation, in short called the Steel Trust, the most prominent defender of all American steel trusts.

The Steel Trust was organized in 1901 from a number of large steel works, of which the Carnegie Steel Co. of New Jersey was the largest. The Steel Trust is a pure holding company, with a capital stock of $1,100,000,000 and $600,000,000 of bonds. Its share is 60 per cent in the total steel production and 70 per cent in wire rods and wire nails production. Outside of this, it has so-called "gentlemen's agreements" with its competitors in regard to various products—that is, understandings have been reached which are kept effective in the regular steel conferences. That such enormous concerns have immense advantages in the reduction of cost of production and operation is self-evident and of great importance in the development of our German iron industry. Some years ago experts, as well as other, engaged themselves with the question of Government regulation of our cartels. The German Government, based on extensive domestic and foreign investigations, could not be moved to legislation of this character, and this with perfect right, as the cartels have to-day such significant importance in our social life that a Government regulation would not only be extremely difficult but dangerous as well, as the cartels are not creations to be made at the option of the promoter but are due to the necessary requirements of our social development which, for the time being at least, are indispensable.

Mr. GARY. I would like to have this committee at least in its report advise the United States Steel Corporation what its position

ought to be and its management under the law. No one would like to know what that is better than we.

Mr. LITTLETON. You would like to have that advice so that you would not be obliged to take it if it did not suit you. You would not want to trust the committee or any branch of the Government to prescribe the rules unless it had come out of a settled policy which had been worked out in both branches of the legislature and thrashed out and finally made into law?

Mr. GARY. That is so. I wish the committee would take advantage of this opportunity and in some way suggest and bring about legislation that was calculated to protect property and business of the Government and the people and allow us to continue in our business progress and along the lines of prosperity. I think we all ought to welcome that.

Mr. LITTLETON. On each side of this Sherman antitrust law there are partisans, as you know, those who discount it or discredit it, and those who would strengthen it, those on both sides intending to serve interests of both sides and the best interests of all. Would you regard it as being a sensible thing to do to have Congress appoint a joint committee of both Houses for the purpose of meeting capital and labor, the restrained and unrestrained industries, so to speak, of the country, with a view to organizing and preparing an elaborate antitrust law, so-called, which would meet the growing situation and which would mend the deficiencies made by the court, if there be any?

Mr. GARY. I would think that very desirable, and for one I would welcome it and I would be glad to have it result in something practicable and would like to be the first one to fall in line and adopt it in our practice and live up to it. That is all we want. We want our property and our business protected. We do not want to be in a position where we run the risk of doing harm to anyone.

Mr. BARTLETT. Violate the law?

Mr. GARY. Yes, sir; that is all. It seems to me the members of the committee must see the difficulty under which we are laboring and I am sure you do.

The CHAIRMAN. You have made a statement before this committee and Mr. Gates made a statement before this committee, which I am not challenging; I am simply expressing my surprise, and I thought probably I did not apprehend the full meaning. You have spoken repeatedly of the labor cost increase justifying an increase in the cost of your finished product. Has there been in the State of Pennsylvania or in any other State—take that as an example—such an increase in the price of labor as to justify or to demand an increase in the price of your finished product—rails and other things?

Mr. GARY. Between what times, for instance?

The CHAIRMAN. I mean between this time and, say, 1902.

Mr. GARY. I am very sure there have been material increases in labor since the United States Steel Corporation was organized, and then the cost as applied to labor has materially increased by reason of the fact that we have made and are making large expenditures which are calculated to improve the conditions of labor and protect the laborers, and in many ways our cost of production has materially increased.

The CHAIRMAN. What per cent increase?

Mr. GARY. Hours have decreased in places, and we have abolished Sunday labor, so far as we could, in many places at a very large cost. It was suggested by Judge Bartlett, and it is true, that it is for the interests of corporations, it is good policy to do these things as a total result, but nevertheless some of the things I have referred to are costly and have increased our cost of production materially. There is no doubt about that. For instance, you take the one case of voluntary relief. We have put in force voluntary relief to the injured workmen or their families in case of injury or death, and that regardless of the liability, and we know by the statistics that that alone has cost $1,500,000 a year. Things like that I refer to.

I am reminded that the wages of the laborers in our companies at present are about 20 per cent higher than they were at the time when the United States Steel Corporation was organized. I believe that is correct.

The CHAIRMAN. Can you give us the cost of labor? I do not mean, Judge, the wages of labor. The price per hour or per day. As I understand it, at one time old man Plumb worked with a wooden hammer, and a week of his work would not be as effective as a few moments of work with improved machinery. In measuring your labor cost you do not measure it by the day?

Mr. GARY. It should be the cost per ton. I see your point.

The CHAIRMAN. You measure the cost per ton?

Mr. GARY. Yes.

The CHAIRMAN. Take pig iron. Where do you produce most of that?

Mr. GARY. Take what?

The CHAIRMAN. Where is most of the pig iron produced? In what State?

Mr. GARY. Most of it is produced in Pennsylvania.

The CHAIRMAN. That is what I thought.

Mr. GARY. But we produce large quantities of it elsewhere.

The CHAIRMAN. Are there any accurate statistics of this kind kept in Pennsylvania?

Mr. GARY. I can not answer that. I presume so.

The CHAIRMAN. I mean as to the labor cost, the cost of production.

Mr. GARY. Quite likely.

The CHAIRMAN. The amount of money invested in the manufacture.

Mr. GARY. I think so.

The CHAIRMAN. It is the first manufacturing State in the Union, I believe?

Mr. GARY. I think so.

The CHAIRMAN. Do you know whether the annual report of the secretary of internal affairs is reliable as a statistical compilation?

Mr. GARY. Quite likely; but do not forget, Mr. Chairman, that the investment, in order to furnish facilities for work, thereby increasing production, and so on, is very large.

The CHAIRMAN. I understand.

Mr. GARY. And the depreciation and the interest on those investments are very large. I do not know what figures you have nor how they are arrived at, but I am very sure we can tell you——

The CHAIRMAN. I will say that the figures I have here are taken from the Pennsylvania annual report of the secretary of internal affairs for the years 1902 and 1909, respectively.

Mr. GARY. Yes. Well, then, the statistics speak for themselves.

The CHAIRMAN. What I want to know is, is this a reliable source of information?

Mr. GARY. I can not answer that off-hand, Mr. Chairman. I have no reason to dispute it, because I do not know anything about it.

The CHAIRMAN. According to these figures the capital invested in Pennsylvania in 1902 in the production of pig iron was $158,391,090, and I believe you have stated that the pig iron is the raw material, in a way, from which all these finished products are made, your steel and your iron products. They all go back to the pig. That is the first step from the ore?

Mr. GARY. Yes.

The CHAIRMAN. It is the basis of your business?

Mr. GARY. We first make the pig iron, and then make the steel from the pig iron.

The CHAIRMAN. In 1909 there were $203,355,638 invested in pig iron—in the manufacture of pig iron. Gross tons of production in 1902, 8,111,642 tons; in 1909 it was 10,721,024 tons. I want to call your attention to this tabulation, to see if there was anything left out that ought to be put in. Realized value in 1902 was $126,857,231; and in 1909, $186,963,842. The average realized value per ton in 1902 was $15.64; in 1909, $17.44. The value of basic material, ore and scrap or cinder only (fuel, limestone, and other expense not considered), in 1902, $61,634,972; in 1909, $89,144,483. Average cost of basic material per ton in 1902, $7.60; in 1909, $8.31. Average number of days in operation in 1902, 314 days; in 1909, 300 days. Total number of workmen employed—I wish to call your attention to this, Judge. In Pennsylvania, according to this report, there were 17,101 workmen employed in 1902 in making 8,111,642 tons of pig iron; 14,921 men in 1909, working 300 days, produced 10,721,024 tons of pig iron, against 17,101 working 314 days in 1902. Aggregate wages paid to these workmen in 1902 was $10,191,759; in 1909 it was $8,762,304. The average earnings for the year, for each man, in 1902 was $595.97; in 1909 it was $627.20. The average daily wage in 1902 was $1.89; in 1909 it was $2.09—about your average wage, I believe. The cost of labor per ton was, in 1902, $1.25; and in 1909, 82 cents. The tonnage per man per day—which, as you say, is the true measure of the value of the man's work—one man in 1902 produced 1.51 tons of pig iron; and in 1909 he produced 2.39 tons of pig iron.

Are the conditions in your mills producing pig iron different in any degree from those in the rest of the State of Pennsylvania?

Mr. GARY. Of course, I can not express any opinion with reference to those figures. I am not familiar with them at all, and I do not know just what has been taken into consideration, or anything about the figures, in fact. Possibly there may be found in those figures some corroboration of the suggestion by Judge Bartlett, that it pays in dollars and cents to treat men pretty well. I do not know.

The CHAIRMAN. But what I am trying to get at, Judge, is this: Are the conditions in your mills different in any degree from the conditions prevailing in other mills of similar kind in the State of Pennsylvania?

Mr. GARY. That I can not answer.

The CHAIRMAN. Is there any reason why the United States Steel Corporation should pay a greater wage than other mills operating in

Pennsylvania, or why you should not produce as great tonnage per man as other mills?

Mr. GARY. I think we pay a little more wages on the average, perhaps, than almost anyone else.

The CHAIRMAN. What per cent of the tonnage of the State of Pennsylvania of pig iron is produced by your mills?

Mr. GARY. What is that?

The CHAIRMAN. I mean, in the production of pig iron. What proportion of the tonnage of pig iron produced in the State of Pennsylvania do you produce?

Mr. GARY. I can not answer that, because I have not looked up the figures.

Mr. BARTLETT. There is one question that I would like to suggest, Judge. Do you not think it likely that in making up these statistics, if they be accurate (and I expect they are accurate), the compiler, in working out his data took into consideration your works as well as other people's works in Pennsylvania, and what was done there?

Mr. GARY. I should think so, Judge Bartlett.

Mr. BARTLETT. And that these figures are really not as to any particular concerns, but cover all the people in Pennsylvania engaged in the manufacture of pig iron, including your works?

Mr. GARY. Yes.

The CHAIRMAN. Roughly speaking, do you not make about 80 per cent of the pig iron that is produced in the State of Pennsylvania?

Mr. GARY. I can not answer that, because I have not looked it up.

Mr. LINDABURY. While we are on this subject, I would like to introduce, with the permission of the committee, the voluntary accident relief plan of the corporation. The corporation pays out $1,500,000 a year for the voluntary relief of disabled employees who are disabled through accident.

The CHAIRMAN. I have no objection to the introduction of that.

Mr. LINDABURY. We have the plan here, and I have a copy for each member of the committee.

The CHAIRMAN. We shall be very glad to have it.

Mr. LINDABURY. If you will accept it.

The CHAIRMAN. Do you desire to have it go in?

Mr. LINDABURY. Yes; as a part of the record. In addition to that, the company maintains a superannuated pension fund. That is, a pension fund for superannuated employees. That fund amounts to $12,000,000, and under it $600,000 per year is paid out in pensions by the corporation to its superannuated employees. I have copies of that plan, which I desire to have introduced, with the permission of the committee, and I have a copy of it for each member.

Mr. LITTLETON. That will go in as a part of the record, will it not?

Mr. LINDABURY. If you will permit it to be made part of the record we shall be still further in your debt.

The CHAIRMAN. Certainly.

(The two papers above referred to will be found at the end of this day's hearing.)

The CHAIRMAN. Judge Gary, you have gone over these figures a good deal, about the Federal Steel Co., and the National Sheet & Wire Co., and the National Tube Co., and so on. Was the valuation of one of these companies about as accurate as that of another? What I mean by that is, did you buy some of the companies at a better bargain than others?

Mr. GARY. I think so; yes. That would be my impression, because the best bargains possible were made; but more in proportion, perhaps, was paid for some than for some others.

The CHAIRMAN. How near its actual value did the Federal Steel Co. get for its properties?

Mr. GARY. As it turned out, I think it got very much less than its value.

The CHAIRMAN. How about the American Steel & Wire Co.?

Mr. GARY. I think it got less than its value.

The CHAIRMAN. How about the Carnegie Co.?

Mr. GARY. The results have shown that the Federal Steel went in the cheapest of all by a good deal, and the Wire Co. next.

The CHAIRMAN. How about the Carnegie Co.?

Mr. GARY. Off-hand, I think probably they were next.

The CHAIRMAN. Was there any——

Mr. GARY. I am not sure of that.

The CHAIRMAN. Was there any great improvement in the value of the Carnegie Steel Co. or in its plant and betterments between 1898 or 1899 and the year in which your company was organized?

Mr. GARY. Yes; there was.

The CHAIRMAN. How much would that improvement amount to?

Mr. GARY. It is hard to say, but values had very materially increased; first, by reason of the fact that the earnings were very large those years and put back into the properties, and, secondly, because the values of the ores and coals had very materially increased and because their organizations had been perfected and made very much better. They were rapidly getting into a position where they reduced the cost very materially. There was a very large increase between those dates, whatever you may say about the values of the properties at either date.

The CHAIRMAN. What I am talking about, Judge, is this. I did not state it with sufficient clearness. The Colorado Building, down here at the corner of Fourteenth and G streets, has increased very materially in its value in the last 8 or 10 years, on account of the fact that the city has built toward it and around it. What I am speaking of now is this: Were there any new plants added to it, any betterments? How much money was put into it in the way of additional mills and furnaces in the last two years of its operation?

Mr. GARY. In the purchase of the property, the betterments of its mills, etc., without knowing now, I would say it was a very large sum, and might have approximated fifty or seventy-five million dollars. That might be overstated, but I hardly think so. It was a very large sum.

The CHAIRMAN. Was Mr. Schwab connected with that company?

Mr. GARY. He was. He was the president.

The CHAIRMAN. Do you think Mr. Schwab would have had a fairly good idea about estimating its value?

Mr. GARY. Well, I would think so. It seems to me he ought to have had.

The CHAIRMAN. Was Mr. Andrew Carnegie connected with that company?

Mr. GARY. I think that is well known.

The CHAIRMAN. Do you think he is a good judge of the value of property?

Mr. GARY. He is a pretty good judge, I think—especially if it is his property. [Laughter.]

Mr. BARTLETT. Judging by what he wants for it.

Mr. GARY. I understand he is to be a witness here, and you will get some opinions of very high values of the Carnegie properties, I am sure.

Mr. BARTLETT. Do you think we will get any definite opinion from Mr. Carnegie about anything?

The CHAIRMAN. I am quite sure we will not enjoy having Mr. Carnegie here any more than we have enjoyed the genial presence of the gentleman who has favored us with his presence so patiently for so many days.

Mr. GARY. You are very kind. I appreciate that.

The CHAIRMAN. L. C. Phipps is a practical steel man?

Mr. GARY. He was secretary of the Carnegie Co., and I think he became disconnected from it a long time ago. I do not know how long ago.

The CHAIRMAN. How about W. H. Singer?

Mr. GARY. He is dead, I believe. He was connected with it at one time.

The CHAIRMAN. What did you say?

Mr. GARY. I think he is not living. He was connected with it at one time. I do not know very much about the organization of the Carnegie Co. prior to 1901. I think he was in the commercial department. I am referring to Singer. I heard so.

The CHAIRMAN. Was Thomas Morrison a practical iron man?

Mr. GARY. I think he was a furnace man. He may have been a superintendent. Quite likely he was—of the Edgar Thompson works.

The CHAIRMAN. How about D. M. Clemson?

Mr. GARY. I think he was connected with the steamship lines, and also the natural-gas lines.

The CHAIRMAN. How about Mr. Moreland?

Mr. GARY. What is the name?

The CHAIRMAN. Moreland.

Mr. GARY. He was auditor, I think. I have read more or less about the company, and much of what I say is said from my reading.

The CHAIRMAN. If these gentlemen were sent to inspect a property, or if they operated a property for you, and kept a careful account during several years of its acts and doings—its books—would you accept their sworn valuation as being approximately near the value of the property?

Mr. GARY. That might depend upon circumstances. Of course it depends upon how the books are kept. The Carnegie people undoubtedly put a large part of their earnings into their properties, and charged the same to cost or to expense, and I think the money they put in those properties would not represent their real value or the cost of the properties. That would be my judgment from what I have heard. I may be mistaken, of course, as in other things.

The CHAIRMAN. Judge, I want to call your attention to this statement. In March, 1900, these gentlemen made oath to the following: They stated, each man, that in case of his death or of his leaving the Carnegie Co. that the books should be so kept as to be an inventory of the actual value of the property.

Mr. GARY. That is the so-called "ironclad agreement."

The CHAIRMAN. The so-called "ironclad agreement." In speaking of those books these gentlemen all swear:

Those books were under the supervision of the plaintiff [Mr. Frick] until the day of his resignation from the chairmanship of our company, etc.

These books show that the net value on the 31st day of December, 1899, of the assets of the association was $75,610,104.06. To a large extent this book value represents the actual cost of the properties represented in the balance sheets of the association, * * * and we aver that the valuation of the assets as shown on said books and balance sheets is a full, fair, and accurate valuation of the same, and that there has not been omitted from such books and balance sheets any asset which should properly find a place thereon.

How much was it that your company paid for that property?

Mr. GARY. Mr. Chairman, I presume that what you have read is from the answer, or at least is the allegation or averment of some of the litigants in the famous Frick-Carnegie suit.

The CHAIRMAN. Yes.

Mr. GARY. It must strike anyone as rather remarkable, if the values of the property were as averred in the answer, that the suit was settled and stock and bonds issued on the basis of $320,000,000 for the Carnegie properties, and that within three months of the time you have referred to—and that amount of $320,000,000 probably was very low. I really do not think that what you have there is a fair, reasonable basis for valuation, or that it furnishes evidence of values. That would be my opinion about that.

Mr. BARTLETT. That is mere pleading, is it not?

Mr. GARY. That is mere pleading; and you know what the "ironclad agreement" was, and how it was attempted by some of the people to settle the values of the interests of other people by this agreement; and it did not go through. I do not know anything about the merits of that controversy. I do not care to enter into a discussion of it at all.

The CHAIRMAN. I am trying to identify it. The property which Frick and Carnegie and the rest of them were in litigation about was the same property that you afterwards paid $320,000,000 for; two years after?

Mr. GARY. Part of it, I think.

The CHAIRMAN. You only bought part?

Mr. GARY. No; we bought it all, but I do not think all of it was included in the suit. I am very sure it was not.

The CHAIRMAN. Do you know what part was not?

Mr. GARY. All of the H. C. Frick Coke Co., the largest part of the H. C. Frick Coke Co., I think, was not included in this. That, I think, was held by Messrs. Frick, Carnegie, and perhaps two or three others—by their stock interests.

The CHAIRMAN. This is the Carnegie Steel Co. interest?

Mr. GARY. And a large part of the railway to the Lakes, I think, was not in, and probably other properties. I do not want to be led into admitting or denying facts in regard to that litigation, because I am not sufficiently familiar with it, Mr. Chairman.

Mr. BARTLETT. You were not a party to it?

Mr. GARY. No.

Mr. BARTLETT. Nor your company?

Mr. GARY. Nor our company.

The CHAIRMAN. I was trying to identify the property

Mr. LITTLETON. You have said to-day, Judge Gary, that committeemen, members of the committee, have asked you what the value of these companies was at the time they were taken in.

Mr. GARY. Yes.

Mr. LITTLETON. And as to their overcapitalization or their undercapitalization?

Mr. GARY. Yes.

Mr. LITTLETON. I understood the meaning of your answer to be then, and I want to be corrected if I am wrong, that by the vitalization of them into a great concern and the federation of them so as to be active and aggressive in the business of the country, they took on, by that very process, a greater value than they would have in the aloof and dismembered manner in which they were conducting their business before you took them?

Mr. GARY. That is correct.

Mr. LITTLETON. And that, in itself—that very federation of them—gave them that additional value?

Mr. GARY. That is true, in my opinion.

The CHAIRMAN. The committee does not care to impose upon your great patience; but when I started out with this examination I started to ask you the number of companies in which you were a director, and the value of those companies in stocks and bonds, etc., and also the value of subsidiary companies—for instance, like the American Steel Founders Co. I believe you are a director in that company?

Mr. GARY. Yes.

The CHAIRMAN. And the International Harvester Co. Are you a director in that?

Mr. LINDABURY. Does this committee think it has a warrant to inquire into other businesses than the steel business?

The CHAIRMAN. I think so.

Mr. GARY. I have no objection. unless you object.

Mr. LINDABURY. No. I wish, at least, the committee would consider some decisions in the Supreme Court against the practice.

The CHAIRMAN. I would not invade the judge's rights. I want you to know my purpose exactly.

Mr. LINDABURY. I withdraw the objection.

Mr. GARY. I do not care for the purpose.

The CHAIRMAN. I think it is best to explain it now, because if I am invading the rights of witnesses, I do not want to do it. I do not think I am. This resolution provides that we not only investigate the affairs of the United States Steel Corporation, but that we look into the question of interlocking records and affiliations and their relations with any other company in the world.

Mr. GARY. If my counsel will permit it, I prefer to answer.

Mr. LINDABURY. I have already withdrawn the objection.

The CHAIRMAN. You are a director in the International Harvester Co.?

Mr. GARY. I am.

The CHAIRMAN. I am not going into the details about it, as to the companies and the subsidiary companies, but I will ask you if you will please place somewhere in the record a statement of the companies in which you are a director or the subsidiary companies in those companies where they are holding companies, or where there is

any relation between the one company and its other constituent companies, together with the stocks and bonds of the various companies. Please put it in tabulated form, so that we can form some idea about it.

On the part of the committee, I wish to thank you most sincerely for your kindness and patience. I hope you will hold yourself, of course, Judge, ready to answer—and I know you will—any summons of the committee. For the time being, at least, we will excuse you.

Mr. GARY. You know I hope to go abroad.

Mr. BARTLETT. We do not mean by that to keep you from going.

The CHAIRMAN. No.

Mr. LINDABURY. If you expect to examine others, Mr. Gary will be back before you get through.

Mr. LITTLETON. I move that the committee go into executive session.

(The committee thereupon, at 6 o'clock p. m., went into executive session, and subsequently adjourned until to-morrow, Friday, June 9, 1911, at 10.30 o'clock a. m.)

(The various documents hereinbefore referred to as appended to the record of to-day's proceedings are as follows:)

UNITED STATES STEEL AND CARNEGIE PENSION FUND—PENSION RULES.

Trustees.—Frank D. Adams, Duluth, Minn.; Raynal C. Bolling, New York, N. Y.; William B. Dickson, New York, N. Y.; Robert A. Franks, New York, N. Y.; Elbert H. Gary, New York, N. Y.; James H. Hoyt, Cleveland, Ohio; Kemper K. Knapp, Chicago, Ill.; George W. Perkins, New York, N. Y.; James H. Reed, Pittsburg, Pa.; Andrew Squire, Cleveland, Ohio.; Charles L. Taylor, Pittsburg, Pa.; Hampden E. Tener, New York, N. Y.

Finance committee.—Elbert H. Gary (chairman), Robert A. Franks, George W. Perkins, James H. Reed, Hampden E. Tener.

Pension committee.—Raynal C. Bolling (chairman), Elbert H. Gary, James H. Reed, Charles L. Taylor.

General executive officers.—Elbert H. Gary (chairman), New York, N. Y.; George W. Perkins (vice chairman,) New York, N. Y.; Robert A. Franks (treasurer), New York, N. Y.; Raynal C. Rollins (secretary), New York, N. Y.

Manager: J. B. Erskine, Oliver Building, Pittsburg, Pa.

The United States Steel and Carnegie pension fund was established in the year 1910 by the joint action of the United States Steel Corporation and Andrew Carnegie. Its purpose is the payment to employees of old-age pensions from the income of the fund. For this purpose the United States Steel Corporation provided $8,000,000, which, with the Carnegie relief fund of $4,000,000 created by Andrew Carnegie on March 12, 1901, makes up a joint fund of $12,000,000. This pension fund is administered by a board of 12 trustees, through a manager appointed by the board with such powers and duties as may be given him by the board. The pension rules are established by resolution of the board of trustees.

WHO MAY OBTAIN PENSIONS.

(1) Employees of the United States Steel Corporation or of any other corporation a majority of whose capital stock is owned or controlled by the United States Steel Corporation, or of the board of trustees of this pension fund, may obtain pensions under the following conditions:

1. *Pensions by compulsory retirement*.—(2) All men who have been 20 years or longer in the service and have reached the age of 70 years shall be retired and pensioned.

(3) All women who have been 20 years or longer in the service and have reached the age of 60 years shall be retired and pensioned.

(4) At the request of their employing officers, persons employed in executive or administrative positions may be allowed to continue in active service after reaching the ages mentioned above.

2. *Pensions by retirement at request*.—(5) Any man who has been 20 years or longer in the service and has reached the age of 60 years may be retired and pensioned either at his own request or at the request of his employing officer.

(6) Any woman who has been 20 years or longer in the service and has reached the age of 50 years may be retired and pensioned either at her own request or at the request of her employing officer.

3. *Pensions for permanent incapacity.*—(7) Any employee who has been 20 years or longer in the service and has become permanently totally incapacitated through no fault of his or her own as a result of sickness, or injuries received while not on duty, may be pensioned at the discretion of the board of trustees.

AMOUNT OF PENSIONS.

(8) The monthly pensions to be paid will be made up on the following basis, subject to the provisions of section 27:

For each year of service 1 per cent of the average regular monthly pay received during the last 10 years of service.

Illustration.—An employee who has been 25 years in the service and has received an average regular monthly pay of $60 a month will receive a pension allowance of 25 per cent of $60, or $15 a month.

(9) No pension granted shall be more than $100 a month or less than $12 a month.

HOW TO OBTAIN PENSIONS.

Pensions by compulsory retirement.—(10) Employing officers will report to the manager of the fund the name of every man who has been 20 years or longer in the service and has reached the age of 70 years, and of every woman who has been 20 years or longer in the service and has reached the age of 60 years. These reports will be sent to the president of the company concerned for his approval.

Pensions by retirement at request.—(11) Any man who has been 20 years or longer in the service and has reached the age of 60 years, and any woman who has been 20 years or longer in the service and has reached the age of 50 years, who wishes to be retired and pensioned, should notify his or her employing officer.

(12) Any employing officer who wishes to retire an employee who has reached the age and has had the length of service fixed for retirement by request must notify such employee and report to the manager of the fund the request that such employee be retired and pensioned. These requests, whether from an employee or an employing officer, will be sent to the president of the company concerned for his approval.

Pensions for permanent incapacity.—(13) Any employee who has served 20 years and who is permanently totally incapacitated through no fault of his or her own as a result of sickness, or injuries received while not on duty, may notify his or her employing officer and apply for a pension. Every such application will be sent by the employing officer to the president of the company concerned for his approval. In every such case it must be shown to the satisfaction of the board of trustees by physical examination that the employee applying for a pension is permanently totally incapacitated to earn a livelihood.

GENERAL REGULATIONS.

(14) Pensions from the fund will be paid only to those employees who have given their entire time to the service of corporations included under the provisions of the fund.

(15) The acceptance of a pension from the fund shall not bar any former employee from engaging in other business so long as such other business is not of the same character as the former employment. No employee receiving a pension may reenter the service.

(16) Length of service shall be reckoned from the date since which the employee has been continuously in the service to the date when retired, and a part of a year if less than a half shall not be counted; if more than a half it shall be counted as a full year.

(17) Leave of absence, suspension, temporary lay-off on account of reduction in force, or disability shall not be considered as breaks in the continuity of service, and time thus lost shall not be deducted in reckoning the length of service.

(18) Dismissal or voluntarily leaving the service followed by reinstatement within two years shall not be considered as breaks in the continuity of service, but the time thus lost shall be deducted in reckoning the length of service.

(19) The board of trustees shall fix the date, in each case, upon which the pensions shall begin.

(20) Pensions shall be paid monthly at the close of each month, unless revoked by the board, and shall terminate with payment for the month succeeding that in which the death of the employee occurs.

(21) Whenever the terms "service" and "in the service" are used in these rules they mean employment by the United States Steel Corporation, by one or more corporations a majority of whose stock is owned or controlled by the United States Steel Corporation, by their predecessors, or by the board of trustees of this fund.

(22) Pensions may be withheld or terminated in case of misconduct on the part of the beneficiaries or for other cause sufficient in the judgment of the board of trustees to warrant such action.

(23) In order that direct personal relations with retired employees may be pre-preserved and that such employees may continue to enjoy the benefits of pensions granted them, no assignment of pensions will be permitted or recognized under any circumstances; neither shall pensions be subject to attachment or other legal process for debts of the beneficiaries.

(24) This pension plan is a purely voluntary provision for the benefit of employees superannuated or totally incapacitated after long and faithful service and constitutes no contract and confers no legal rights upon any employee.

(25) The manager of the fund shall decide all questions arising out of the administration of the fund and relating to employees, subject to a right of appeal to the board of trustees within 30 days after notice to the persons interested of the manager's decision. The action of the board of trustees or of any committee designated by the board to hear such appeals shall be final and conclusive.

(26) Neither the creation of this fund nor any other action at any time taken by any corporation included under the provisions of the fund or by the board of trustees shall give to any employee a right to be retained in the service, and all employees remain subject to discharge to the same extent as if this pension fund had never been created.

(27) Whenever it may be found that the basis named for pensions shall create total demands in excess of the annual income increased by any surplus deemed applicable by the board of trustees, a new basis may be adopted reducing the pensions theretofore or thereafter granted so as to bring the total expenditures within the limitations fixed by the board of trustees. Notice of such new basis shall be given before the beginning of the year in which it may be decided to put the same into effect. These pension rules may be changed by the board of trustees at its discretion.

(28) An annual report giving an account of the fund and its administration will be made as soon after the first of each year as practicable, and copies of such report will be posted at all mills, mines, railroads, shops, and other works and published in such newspapers as may be designated by the board of trustees.

By order of the board of trustees these rules for the administration of this fund shall take effect on January 1, 1911, and shall apply to those who are in the service on and after that date.

UNITED STATES STEEL CORPORATION, VOLUNTARY ACCIDENT RELIEF PLAN, MAY 1, 1911, PROVIDED BY SUBSIDIARY COMPANIES FOR EMPLOYEES INJURED AND THE FAMILIES OF EMPLOYEES KILLED IN WORK ACCIDENTS.

ACCIDENT RELIEF.

(1) This plan of relief is a purely voluntary provision made by the company for the benefit of employees injured and the families of employees killed in the service of the company and constitutes no contract and confers no right of action. The entire amount of money required to carry out the plan will be provided by the company with no contribution whatsoever from the employees.

(2) Where the word "manager" appears in this plan of relief it means that official of the company who has charge of this relief for his company.

(3) The decision of the manager of this relief shall be final with respect to all questions arising under this plan of relief, and he shall have full discretionary power in paying relief to meet any conditions which may arise and may not be covered by this statement.

(4) The privilege of this relief will take effect as soon as an employee enters the service of the company, will continue so long as the plan remains in operation during such service, and will terminate when he leaves the service.

(5) Payment of this relief will be made only for disablement which has been caused solely by accidents to employees during and in direct and proper connection with the performance of duties to which the employees are assigned in the service of the company, or which they are directed to perform by proper authority, or from accidents which occur in voluntarily protecting the company's property or interests. Relief will not be paid unless investigation of the causes and circumstances of the injury shows that it was accidentally inflicted and that it renders the employee unable to perform his duties in the service of the company or in any other occupation.

(6) No relief will be paid for the first ten days of disablement.

(7) No employee will be entitled to receive relief except for the time during which the surgeon certifies that he is unable to follow his usual or any other occupation.

(8) Employees will not be entitled to receive disablement relief for any time for which wages are paid them.

(9) The company will provide treatment by surgeons and hospitals of its selection.

(10) The company will furnish artificial limbs and trusses in cases where these are needed.

(11) All men injured in the service of the company must obey the surgeon's instructions in reporting for examination, using the remedies and following the treatment prescribed, and going to the hospital if directed. No relief will be paid unless these instructions are obeyed. All employees who are disabled but not confined to the house must report in person at the surgeon's office, from time to time as reasonably requested, and must keep any other appointments made by the surgeon.

(12) All employees who wish, while disabled, to go away from their usual place of residence, must first arrange with their employing officer and with the surgeon in charge as to the absence and the evidence of continued disablement to be furnished. Such employees must report as often and in such manner as may be required of them.

(13) Where it is shown to the satisfaction of the manager that single men contribute regularly to the support of actual dependents, the manager shall have authority to fix the amount of relief within the limits of relief for married men.

(14) No relief will be paid to any employee or his family if suit is brought against the company. In no case whatsoever will the company deal with an attorney or with anyone except the injured man or some member of his family in the matter of relief to be paid under this plan, because it is part of the plan that the whole amount paid shall be received by the employee and his family.

(15) No relief will be paid for injuries caused or contributed to by the intoxication of the employee injured or his use of stimulants or narcotics or his taking part in any illegal or immoral acts.

(16) All employees of the company who accept and receive any of this relief will be required to sign a release to the company.

(17) Whenever the persons entitled to receive any lump sum so consent the relief will be paid to a savings bank or trust company to be held at interest and paid over to the persons entitled to it in such instalments as may be agreed upon. This is earnestly recommended in all cases.

TEMPORARY DISABLEMENT

(18) Under the terms and conditions stated here, employees shall be entitled to the following temporary disablement relief, but no such relief will be paid for the first 10 days nor for longer than 52 weeks.

Single men.—Single men who have been five years or less in the service of the company shall receive 35 per cent of the daily wages they were receiving at the time of the accident. Single men of more than five years' service shall receive an additional 2 per cent for each year of service over five years. But in no case shall single men receive more than $1.50 per day.

Married men.—Married men living with their families who have been in the service of the company five years or less shall receive 50 per cent of the daily wages they were receiving at the time of the accident. For each additional year of service above five years, 2 per cent shall be added to the relief. For each child under 16 years, 5 per cent shall be added to the relief. But in no case shall this relief exceed $2.50 per day for married men. Married men not living with their families shall be classed as single men.

PERMANENT DISABLEMENT.

(19) The amount of relief which will be paid to employees who have sustained some permanent disablement, such as the loss of an arm or leg, will depend upon the extent to which such disablement renders it difficult for them to obtain employment. The kinds of disablement that may occur and the extent to which each interferes with employment differ so greatly that it is impossible to provide any adequate schedule of relief which will be paid in all cases of permanent disablement. The amounts which will be paid in cases not specifically mentioned here must of necessity be left to the discretion of the manager, but it is the intention of the company that this discretion shall be so exercised in all cases as to afford substantial relief corresponding as far as possible with the amounts stated below, considering the special circumstances of each case and the character and extent of the injury:

(*a*) For the loss of a hand, 12 months' wages.

(*b*) For the loss of an arm, 18 months' wages.

(c) For the loss of a foot, 9 months' wages.
(d) For the loss of a leg, 12 months' wages.
(e) For the loss of one eye, 6 months' wages.
(f) For permanent total disablement, such amount as shall be required in the judgment of the manager to make suitable provision for the injured man, but in no case less than the death relief for such a man.

Loss of both hands, feet, or eyes, or of any two of these members, shall be classed as permanent total disablement.

DEATH.

(20) Relief for the families of employees killed in accidents which happen in the work of the company will be paid only where the death of the employee is shown to have resulted from an accident (or sunstroke or heat exhaustion) in the work of the company during and in direct and proper connection with the performance of duties to which the employee had been assigned in the service of the company or which he had been directed to perform by proper authority, or from accidents which occur in voluntarily protecting the company's property or interests.

(21) Death relief will be paid as soon as possible after the required proof of cause of death is obtained and a satisfactory release given.

(22) The company will pay reasonable funeral expenses, not to exceed $100.

(23) No relief will be paid for death caused or contributed to by the intoxication of the employee killed, or his use of stimulants or narcotics or his taking part in any illegal or immoral acts.

(24) No relief will be paid to the family of any employee if suit is brought against the company.

(25) Under the terms and conditions stated here, the widows and children of employees killed in accidents which happen in the work of the company shall be entitled to the following death relief:

In the case of married men living with their families, who have been in the service of the company five years or less and leave widows or children under 16 years of age, the company will pay relief to an amount equal to 18 months' wages of the deceased employee. For each additional year of service above five years, 3 per cent shall be added to this relief. For each child under 16 years, 10 per cent shall be added to this relief.

But in no case shall this death relief exceed $3,000.

(26) This plan of relief will be continued in operation for one year from May 1, 1911, but may be modified to conform to any statutory plans.

No. 6

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE UNITED STATES STEEL CORPORATION,

Friday, June 9, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF MR. JAMES GAYLEY.

(The witness was sworn by the chairman.)

Mr. YOUNG. What is your business, Mr. Gayley?

Mr. GAYLEY. Well, I have a considerable number of interests that I am identified with—investments. I am interested in various enterprises that I am connected with through investments.

Mr. YOUNG. Largely in connection with iron and steel?

Mr. GAYLEY. Not now.

Mr. YOUNG. Were you at one time connected with the Carnegie Co.?

Mr. GAYLEY. I was.

Mr. YOUNG. When did that connection begin?

Mr. GAYLEY. In 1885.

Mr. YOUNG. In what capacity were you connected with the company at that time?

Mr. GAYLEY. I went with them as superintendent of their blast furnaces manufactory—the pig-iron department.

Mr. YOUNG. How long did you continue with them in that capacity?

Mr. GAYLEY. Until 1892, and then I was made general manager of the Edgar Thomson Steel Works, and was in that capacity until 1896.

Mr. YOUNG. Did you continue in their employment after 1896?

Mr. GAYLEY. From that time up until the formation of the Steel Corporation.

Mr. YOUNG. In what capacity?

Mr. GAYLEY. I left the works to go into the general office to be identified with the raw-material department, as the man in charge was in ill health, and I left the works to get acquainted with that department of the company's business, and in about a year or a year and a half my predecessor retired and I had charge of the procuring

of the raw material in the shape of ores, limestone, etc., that the Carnegie Steel Co. used.

Mr. YOUNG. You became interested as a partner in the business?

Mr. GAYLEY. I did.

Mr. YOUNG. At what time?

Mr. GAYLEY. About 1892.

Mr. YOUNG. About the time you took charge of the Edgar Thomson Steel Works?

Mr. GAYLEY. In the same year; earlier in the year.

Mr. YOUNG. When you entered the employ of the Carnegie Co. in 1885 what did its property consist of, in a general way?

Mr. GAYLEY. There principal works, the works I was connected with, the Edgar Thomson Steel Works & Furnaces, and in addition to that they had the Union mills making some plates and structural material in Pittsburg; they had the Lucy furnaces in Pittsburg; they had the Scotia mine in Center County, in Pennsylvania; they had a coke operation near Pittsburg; and they were interested in the H. C. Frick Co.

Mr. YOUNG. Do you remember to what extent they were interested in the H. C. Frick Co. at that time?

Mr. GAYLEY. I do not.

Mr. YOUNG. Was there any growth of the property and business from 1885 up to the time that the property was purchased by the United States Steel Corporation?

Mr. GAYLEY. Tremendous. The progress was tremendous.

Mr. YOUNG. Will you state in what directions it was and describe it as well as you can?

Mr. GAYLEY. The Edgar Thomson Works was largely increased. When I first went with them they had five blast furnaces. In 1900 they had 11. They had increased the capacity of their steel mill and their rail mill at that plant. They had acquired the Duquesne Steel Works. They had erected six blast furnaces there with a capacity of perhaps 500 tons a day or 3,000 tons total capacity. They had expanded in a great degree the Homestead Steel Works. They had acquired it and during that period they had built it from a mill into a city of mills. They had acquired large ore holdings in the Lake Superior region. They acquired the railroad from Lake Erie at Conneaut to the works on the Monongahela River near Pittsburg. They had, through the Frick Coke Co., of course increased their interest by the acquisition through that company of coking coal lands.

Mr. YOUNG. Had there been during this period an improvement in the technical methods of the corporation and the manufacture of iron and steel by the use of new inventions and processes, things of that sort?

Mr. GAYLEY. There was a constant progress in the iron and steel industry at that time, methods of making steel, more economical production of pig iron, the selection of ores to make iron more economically, improvements in rolling and the general improvements that occurred during that period in what might be comprehended under the metallurgy and mechanics of making iron and steel.

Mr. YOUNG. What effect, if any, did these improvements have on the value of the property as a whole?

Mr. GAYLEY. It increased its earning capacity tremendously.

Mr. YOUNG. During the early years that you were with the company in what manner did it secure its ore supply?

Mr. GAYLEY. By purchase.

Mr. YOUNG. How long did that policy continue, up to what time?

Mr. GAYLEY. Almost entirely up to 1897.

Mr. YOUNG. Did it procure its ore holdings in 1897?

Mr. GAYLEY. It had, as I stated, the small mine, the Scotia mine in Center County, Pa., and then in 1894, I think it was, Mr. Henry W. Oliver, of Pittsburg, had procured a mine in the Mesaba range and he got the Carnegie Steel Co. to take an interest in it.

Mr. YOUNG. What mine was that?

Mr. GAYLEY. It was known as the Mesaba mine, at Virginia, Minn. That was the beginning of their ore holdings.

Mr. YOUNG. And what was the annual production of this small mine in Pennsylvania?

Mr. GAYLEY. Oh, very small; I do not suppose over 30,000 tons a year.

Mr. YOUNG. What was the production of this Mesaba Mountain mine, acquired about 1894?

Mr. GAYLEY. I should judge about half a million tons a year.

Mr. YOUNG. At that time about how much ore did the Carnegie Co. use annually, in 1894?

Mr. GAYLEY. About a million and a half tons, I should say.

Mr. YOUNG. So it produced, after obtaining this mine through Mr. Oliver, about one-third of what it used?

Mr. GAYLEY. About that.

Mr. YOUNG. Do you remember how the prices of ore were running during the years from 1893 to 1898 and 1899?

Mr. GAYLEY. I have here an ore manual which gives the ore prices from the Iron Trade Review, of Cleveland. That is considered reliable information. It gives the prices for the Bessemer and non-Bessemer ores on the different ranges. It is not comprehensive.

Mr. YOUNG. It is not comprehensive?

Mr. GAYLEY. I mean it is not a summarized average price of the whole range.

Mr. YOUNG. You regard that as an accurate statement?

Mr. GAYLEY. I do.

Mr. YOUNG. Without stopping to read it, I will ask that that part be handed to the stenographer to be put in the minutes.

The CHAIRMAN. What is the name of the publication?

Mr. GAYLEY. This book is compiled by Rukard Hurd.

Mr. LINDABURY. What is the date of the publication?

Mr. GAYLEY. 1911.

Mr. LINDABURY. And the page?

Mr. GAYLEY. Fifty-two.

Mr. YOUNG. That table gives the prices from 1855 to 1911?

Mr. GAYLEY. It does.

The CHAIRMAN. Who is that book published by?

Mr. YOUNG. It says: "F. M. Catlin, sales agent, 510 Capital Bank Building, St. Paul, Minn." The name of the publishers does not appear. Mr. Hurd is described as secretary of the Minnesota Tax Commission.

(The table above referred to by Mr. Young follows:)

Prices of iron ore at lower ports for each range since opening.

[Reprinted from the Iron Trade Review.]

Years.	Old Range-Vermilion.		Mesaba.		Prices of pig iron and production.	
	Bessemer.	Non-Bessemer.	Bessemer.	Non-Bessemer.	Price.	Long tons.
1855	$10.00	$10.00	.....	.....	$27.75	700,159
1856	8.00	5.00	.....	.....	27.12	788,515
1857	8 00	8.00	.....	.....	26.37	712,640
1858	6.50	6.50	.....	.....	22.25	629,548
1859	6.00	6.00	.....	.....	23.37	750,560
1860	5.25	5.50	.....	.....	22.75	821,223
1861	5.25	5.00	.....	.....	20.25	653,164
1862	5.25	5.37	.....	.....	23.87	703,270
1863	7.50	7.50	.....	.....	35.25	846,075
1864	8.50	8.50	.....	.....	59.25	1,014,282
1865	7.50	7.50	.....	.....	46.12	831,770
1866	9.50	9.50	.....	.....	46.87	1,205,663
1867	10.50	8.00	.....	.....	44.12	1,305,023
1868	8.25	8.25	.....	.....	39.25	1,431,250
1869	8.25	9.50	.....	.....	40.62	1,711,287
1870	8.50	8.50	.....	.....	33.25	1,665,179
1871	8.00	8.00	.....	.....	35.12	1,706,793
1872	9.00	7.50	.....	.....	48.87	2,548,713
1873	12.00	9.00	.....	.....	42.75	2,560,963
1874	9.00	7.00	.....	.....	30.25	2,401,282
1875	7.00	4.50	.....	.....	25.50	2,023,733
1876	6.75	5.50	.....	.....	22.25	1,868,961
1877	6.50	4.25	.....	.....	18.87	2,066,594
1878	5.50	4.25	.....	.....	17.62	2,301,215
1879	6.25	4.75	.....	.....	21.50	2,741,853
1880	9.25	8.00	.....	.....	28.50	3,835,191
1881	9.00	7.00	.....	.....	25.12	4,144,254
1882[1]	9.00	6.25	.....	.....	21.85	4,623,323
1883	6.00	4.75	.....	.....	19.04	4,595,510
1884[2]	5.25	4.50	.....	.....	17.18	4,097,868
1885	4.75	4.00	.....	.....	15.27	4,044,526
1886	5.25	4.50	.....	.....	18.96	5,683,329
1887	6.00	5.00	.....	.....	21.37	6,417,148
1888	4.75	4.00	.....	.....	17.38	6,489,738
1889	4.50	4.50	.....	.....	18.00	7,603,642
1890	5.50	5.25	.....	.....	22.15	9,202,703
1891	4.50	4.25	.....	.....	15.15	8,279,870
1892	4.50	3.65	.....	.....	15.00	9,157,000
1893	3.85	3.20	$3.00	.....	12.65	7,124,502
1894	2.75	2.50	2.35	.....	9.65	6,657,388
1895	2.90	2.25	2.15	$1.90	9.40	9,446,308
1896	4.00	2.70	8.50	2.25	12.40	8,623,127
1897	2.60	2.15	2.25	1.90	8.35	9,652,680
1898	2.75	1.85	2.25	1.75	9.55	11,773,934
1899	3.00	2.15	2.40	2.00	10.30	13,620,703
1900	5.50	4.25	4.50	4.00	24.15	13,789,242
1901	4.25	3.00	3.25	2.75	16.15	15,878,354
1902	4.25	3.25	3.25	2.75	15.90	17,821,307
1903	4.50	3.60	4.00	3.20	21.50	18,009,252
1904	3 25	2.75	3.00	2.50	13.35	16,497,033
1905	3.75	3.20	3.50	3.00	15.50	22,992,380
1906	4.25	3.70	4.00	3.50	17.25	25,307,191
1907	5.00	4.20	4.75	4.00	21.50	25,781,361
1908	4.50	3.70	4.25	3.50	16.00	15,936,018
1909	4.50	3.70	4.25	3.50	14.75	25.795.471
1910	5.00	4.20	4.75	4.00	19.00	27,298,545
1911	4.50	3.70	4.25	3.50	.....	.....

[1] Prior to 1882 prices are for No. 1 anthracite foundry pig iron at Phi'adelphia. Succeeding prices are for Bessemer pig iron in the valley at the time ore prices were fixed.
[2] The Vermilion and Gogebic Ranges opened in 1884.

Mr. YOUNG. Does this book which you have contain a record of shipments of ore from the Lake Superior region?

Mr. GAYLEY. During what period?

Mr. YOUNG. During the continuance of the industry. I thought I saw something of that kind opposite the page to which we were referring.

Mr. GAYLEY. From 1885 until 1910, inclusive.
Mr. YOUNG. And it appears upon what page?
Mr. GAYLEY. Page 51.
Mr. YOUNG. I offer that page in evidence.
(The page referred to by Mr. Young follows):

Yearly tonnage shipments of iron ore from each range of the Lake Superior district since the opening of the lock and canal at Sault Ste. Marie in 1855.

[Reprinted from the Iron Trade Review.]

Years.	Marquette.	Menominee.	Gogebic.	Vermilion.	Mesaba.	Grand total.
1855	1,449	.....	.....	.....	.....	1,449
1856	36,343	.....	.....	.....	.....	36,343
1857	25,646	.....	.....	.....	.....	25,646
1858	15,876	.....	.....	.....	.....	15,876
1859	68,832	.....	.....	.....	.....	68,832
1860	114,401	.....	.....	.....	.....	114,401
1861	49,909	.....	.....	.....	.....	49,909
1862	124,169	.....	.....	.....	.....	124,169
1863	203,055	.....	.....	.....	.....	203,055
1864	243,127	.....	.....	.....	.....	248,127
1865	236,208	.....	.....	.....	.....	236,208
1866	278,796	.....	.....	.....	.....	278,796
1867	473,567	.....	.....	.....	.....	473,567
1868	491,449	.....	.....	.....	.....	491,449
1869	617,444	.....	.....	.....	.....	617,444
1870	830,940	.....	.....	.....	.....	830,940
1871	779,607	.....	.....	.....	.....	779,607
1872	900,901	.....	.....	.....	.....	900,910
1873	1,162,458	.....	.....	.....	.....	1,162,458
1874	919,557	.....	.....	.....	.....	919,557
1875	891,257	.....	.....	.....	.....	891,257
1876	992,764	.....	.....	.....	.....	992,764
1877	1,010,494	4,593	.....	.....	.....	1,015,087
1878	1,033,082	78,028	.....	.....	.....	1,111,110
1879	1,130,019	245,672	.....	.....	.....	1,375,691
1880	1,384,010	524,735	.....	.....	.....	1,908,745
1881	1,579,834	727,171	.....	.....	.....	2,307,005
1882	1,829,394	1,136,018	.....	.....	.....	2,965,412
1883	1,305,425	1,047,415	.....	.....	.....	2,352,840
1884	1,548,034	895,634	1,022	62,124	.....	2,506,814
1885	1,480,422	690,435	119,860	225,484	.....	2,516,201
1886	1,627,383	880,006	747,589	304,396	.....	3,559,374
1887	1,851,414	1,193,343	1,303,267	394,252	.....	4,742,276
1888	1,918,750	1,191,101	1,424,699	511,953	.....	5,046,503
1889	2,634,816	1,796,755	2,016,391	844,682	.....	7,292,644
1890	2,998,664	2,282,237	2,847,786	880,114	.....	9,008,801
1891	2,512,242	1,824,619	1,839,574	894,618	.....	7,071,053
1892	2,665,169	2,261,499	2,971,991	1,167,650	4,245	9,070,554
1893	1,835,893	1,466,197	1,329,385	820,621	613,620	6,065,716
1894	2,060,260	1,137,949	1,809,468	948,513	1,793,052	7,749,242
1895	2,097,838	1,923,798	2,547,976	1,077,838	2,781,587	10,429,037
1896	2,604,221	1,560,467	1,799,971	1,088,090	2,882,079	9,934,828
1897	2,715,035	1,937,013	2,258,236	1,278,481	4,275,809	12,464,574
1898	3,125,039	2,522,265	2,498,461	1,265,142	4,613,766	14,024,673
1899	3,757,010	3,301,052	2,795,856	1,771,502	6,626,384	18,251,804
1900	3,457,522	3,261,221	2,875,295	1,655,820	7,809,535	19,059,393
1901	3,245,346	3,619,053	2,938,155	1,786,063	9,004,890	20,593,507
1902	3,868,025	4,612,509	3,654,929	2,084,263	13,342,840	27,562,566
1903	3,040,245	3,749,567	2,912,708	1,676,699	12,892,542	24,271,761
1904	2,843,703	3,074,848	2,398,287	1,282,513	12,156,008	21,755,359
1905	4,215,572	4,495,451	3,705,207	1,677,186	20,158,699	34,252,115
1906	4,057,187	5,109,088	3,643,514	1,792,355	23,819,029	38,421,173
1907	4,388,073	4,964,728	3,637,102	1,685,267	27,495,708	42,170,878
1908	2,414,632	2,679,156	2,699,856	841,544	17,257,350	25,892,538
1909	4,256,172	4,875,385	4,088,057	1,108,215	28,176,281	42,504,110
1910	4,392,726	4,237,738	4,315,314	1,203,177	29,201,760	43,350,715
Total	96,336,406	75,306,746	65,179,956	30,328,562	224,905,184	492,056,854
To adjust	−39,689	+144,047	−44,139	.....	.....	+60,219
Baraboo	.....	.....	.....	.....	.....	972,309
Total	96,296,717	75,450,793	65,135,817	30,328,562	224,905,184	493,089,382

AUTHOR'S NOTE.—There should be added to the above grand total 1,032,528 tons, of which 972,309 tons are shipments from the Baraboo district in Wisconsin, and 60,219 tons are to correct miscellaneous shipment records prior to 1891 from the Marquette, Menominee, and Gogebic ranges. The correct grand total of shipments is 493,089,382 tons, as shown in preceding lists of individual mine shipments.

Mr. YOUNG. During the time that you were connected with the Carnegie Co. do you know what its policy was as to fixing the prices of its product, to begin, first, with steel rails?

Mr. GAYLEY. Steel rails, as a rule, were standard in price. It appeared to be known what the price of steel rails was. From the very beginning of the steel-rail industry it was different in many respects from any other product of the steel mills. The Pennsylvania Railroad Co. was practically the fixer of the price of rails for a long period. The Pennsylvania Railroad Co. divided its tonnage between the three mills on its main line of road, between the Pennsylvania works, the Cambria works at Johnstown, and the Carnegie works. For a long period rails were not purchased by other roads until the Pennsylvania Steel Co. led off with its order, and after it placed its order the other roads would come in.

Mr. LINDABURY. You said the Pennsylvania Steel Co.; did you not mean the Pennsylvania Railroad Co.?

Mr. GAYLEY. No, sir; the Pennsylvania Steel Co., of Harrisburg. It seemed so generally well known what the price of rails was that I recall at one of the conferences in Pittsburg Mr. Carnegie saying that the president of the Pennsylvania Railroad Co. had told him that he had given us an order for 60,000 tons. He did not ask or say anything about the price; it seemed to be well understood.

Mr. YOUNG. Do you know how these prices were arrived at which were generally understood?

Mr. GAYLEY. I was not identified with that end of the business at that time, but there was before that—a long time before that—there was a Bessemer Rail Association that owned the Bessemer patents, who brought them over here for the development of the steel rail. They worked together and during that early period when it was a tremendous problem how to make a good rail, and, I think, they fixed the price largely in conference with the railroads. I am not sure. You are going to have Mr. Carnegie before you, and he is very conversant with that period, but my recollection is that they used to talk largely with the president of the Pennsylvania Railroad Co. as to what would be a fair price for rails. That is my recollection. I was not identified with that end of the business, but that is information I have absorbed in conversation and in many other ways.

Mr. YOUNG. These prices changed frequently, did they, from year to year, from month to month?

Mr. GAYLEY. They were changed from time to time. I think the reason of the change was that the railroads at a certain time and under certain conditions would feel that they ought to get a lower price for rails, and after suggestion was given to the rail makers that they would concede that price.

Mr. YOUNG. Was the tendency of the prices generally downward from 1885 to 1897?

Mr. GAYLEY. No; I can not say that they were generally downward. I have not a statement of rail prices during those periods.

Mr. YOUNG. How were the prices of other steel products fixed by the Carnegie Co., as to whether they acted independently or whether there was some agreement with other companies in the business?

Mr. GAYLEY. In those days I think every company was absolutely independent and took what price it could sell its product for, but I

might explain that by saying that during that period this country was passing through a tremendous development, and during the greater portion of that period the great problem before the steel industry was to supply the demand.

Mr. YOUNG. Something has been said here by a former witness as to agreements having been made at times between the Carnegie Co. and other companies as to fixing prices. What do you know about that?

Mr. GAYLEY. Under the old agreement when all the companies were independent there were periods of war, I might say, between certain steel companies which brought down the prices of the product, and that was very destructive of prices. How they came about, I do not know, through some real or through some fancied wrong on the part of one company or the other company, and the competition was carried to the very severest limit. If carried to its ultimate extent, it would have ended in destruction, at least to one or the other of those works, naturally, and so there were agreements; it was a fight and shake hands. It was a period of agreements in order to recuperate, and then when they recuperated they were ready for another fight. During those periods of destructive competition agreements were a necessity or else there would have been the competition carried to its logical conclusion, and that is a monopoly by one or the other company.

Mr. YOUNG. Did the Carnegie Co. owe any of its growth to the result of this destructive competition to which you have referred? Did it absorb any of its competitors in that way?

Mr. GAYLEY. No. It absorbed none of its competitors, and I can not imagine that anything can prosper through the principles of destruction.

Mr. YOUNG. Yesterday during the examination of Judge Gary the valuation placed upon the property of the Carnegie Steel Co. (Ltd.) at the time of some litigation between Mr. Frick and Mr. Carnegie was referred to and I think offered in evidence. What do you know about that valuation, as to whether or not it fairly represented the value of the Carnegie property at that time?

Mr. GAYLEY. What was that valuation?

Mr. YOUNG. $75,000,000.

The CHAIRMAN. Seventy-six million and some hundred thousand dollars.

Mr. YOUNG. Said to have been the book value, I think.

The CHAIRMAN. Yes, sir.

Mr. GAYLEY. That represented the book value, but did not represent anything like the potential value of that property.

The CHAIRMAN. Ask him to explain the word "potential."

Mr. YOUNG. I was just about to ask that question.

Mr. GAYLEY. The earning value? The book value represented the amount of money actually expended in plant and in investment for property. What I meant to convey by "potential" value was the earning capacity that it had through actual investment by reason of its holdings in material property and its ability to manufacture cheaply.

Mr. YOUNG. Do you make any distinction between potential value and real value?

Mr. GAYLEY. I should count that real value to earn money.

Mr. YOUNG. After the conclusion of the litigation between Mr. Frick and Mr. Carnegie was there a reorganization of the Carnegie Co.?

Mr. GAYLEY. The differences were concluded through a reorganization.

Mr. YOUNG. That changed the limited partnership to a corporation?

Mr. GAYLEY. To a corporation.

Mr. YOUNG. Mr. Chairman, did that paper show just the time that the valuation was made?

The CHAIRMAN. It was in December, 1899.

Mr. LINDABURY. There was a date on it.

The CHAIRMAN. December, 1899. Probably Mr. Gayley would know. They fixed the valuation in the answer as of a certain date.

Mr. GAYLEY. That was about the time the conference was held.

Mr. YOUNG. From the time that valuation was placed upon the property were there any additions to the property of the Carnegie Co. up to the time that it was sold to the United States Steel Corporation?

Mr. GAYLEY. Well, they were always building, always expanding their works and always acquiring more property. Just what was acquired during that time I can not state with definiteness now.

Mr. YOUNG. Did you know whether Mr. Carnegie, after this reorganization took place, was desirous of selling the property, or his interest in it?

Mr. GAYLEY. Well, all I can say is that he was willing to sell.

Mr. YOUNG. Do you know anything about this proposition to build a tube mill at Conneaut or somewhere in that vicinity?

Mr. GAYLEY. I do.

Mr. YOUNG. What was there about that?

Mr. GAYLEY. Well, the Carnegie Steel Co., in its growth, often found itself unable to run in some branches of its business because there was no demand. For instance, conditions would arise that you could not give rails away to the railroads. In other words, there was absolutely no sale for them, and our mills would shut up, and another branch of the business might be shut up, and we were constantly looking around for some avenues of manufacture in order to utilize our steel-producing capacity practically at all times. We decided to extend. We bought 5,000 acres of ore at Conneaut Harbor on the lake.

Mr. YOUNG. Do you remember the time that was done?

Mr. GAYLEY. I think that was in 1899, or about then. We had discussions and looked into various propositions for expanding our works at that location. One of them was a tube mill and another one was to go into the wire business, and we were studying at that time both of those propositions.

Mr. YOUNG. What other concerns were in the tube business with whom you would have come in competition had you built this plant?

Mr. GAYLEY. The National Tube Co., principally.

Mr. YOUNG. Where were they located?

Mr. GAYLEY. Works at Riverside, works at McKeesport, and there was a tube works also at Chester, Pa.

Mr. YOUNG. Connected with the National Tube Co.?

Mr. GAYLEY. No; independent.

Mr. YOUNG. Who were the men chiefly interested in the National Tube Works, the leading spirits in it?

Mr. GAYLEY. Particularly, I know Mr. Converse, who was the president of it.

Mr. YOUNG. Do you remember any of the others prominent in it?

Mr. GAYLEY. Do you mean by ownership?

Mr. YOUNG. Yes, sir.

Mr. GAYLEY. I do not know who were the owners. I came in contact with the men active in the management.

Mr. YOUNG. Who were they?

Mr. GAYLEY. Mr. Converse, Mr. Hearn, and Mr. Schiller. Those were the people we would meet out at Pittsburg.

Mr. YOUNG. Was the Chester mill a small mill, comparatively?

Mr. GAYLEY. It was smaller than the others.

Mr. YOUNG. Do you know whether Mr. Morgan——

Mr. GAYLEY (interposing). I might add that the Reading Iron Works had a big tube mill at Reading, Pa.; it was quite a large mill.

Mr. YOUNG. Do you know whether J. P. Morgan had any interest in the National Tube Works?

Mr. GAYLEY. I have understood so since that time; I did not know.

Mr. YOUNG. How lately have you acquired that information?

Mr. GAYLEY. About 1901.

Mr. YOUNG. At the time of the organization of the Steel Corporation?

Mr. GAYLEY. Yes, sir; about that time.

Mr. YOUNG. There has been a rumor, perhaps you might call it, that this proposal of the Carnegie Co. to build a tube works was not made in good faith, but was really a threat for the purpose either of aiding in the sale of its property or in obtaining possession of other property. What would you say as to that?

Mr. GAYLEY. I do not know. I am sure there is no truth in it. There was no proposal to acquire and no threat to build a tube mill. In fact, the Carnegie Steel Co. went ahead and did what it determined doing without consulting anybody, and what it deemed was a profitable venture.

Mr. YOUNG. It actually purchased the land?

Mr. GAYLEY. It had for some works, but when we purchased the land the character of the works was not determined, and it also acquired part of this land for the extension of its dock and railroad facilities at Conneaut Harbor.

Mr. YOUNG. If it had put in a wire mill, as you say was one of the things contemplated, who would it have come in competition with then in the wire business?

Mr. GAYLEY. Principally with the Steel & Wire Co.

The CHAIRMAN. This is the statement made by Mr. Carnegie——

Mr. YOUNG. What are you reading from?

The CHAIRMAN. An excerpt from the Iron Trade Review of January 17, 1901, contained the inside history of the Carnegie Steel Co., by Mr. Bridge.

Asked whether the proposed plant was supposed to be a blow at the National Tube Co., Mr. Carnegie replied that at one time the National Co. purchased billets from his company, but later decided to build its own blast furnaces and make its own billets. Continuing, he said, "As I understand the policy of the Carnegie Steel Co., it is

to cooperate in every way with its fellow manufacturers in the industrial world and not to push itself into any new field save in self-defense. We did not leave the National Tube Co.; they left us, which they had a perfect right to do, of course. Now we are ready to shake hands and cooperate with them in the most friendly spirit."

Do you remember that transaction—those conditions?

Mr. GAYLEY. I remember that we sold steel to the National Tube Co. and that they did erect their blast furnaces and their steel works.

The CHAIRMAN. The National Tube Co. had been a purchaser of raw material from the Carnegie Co.?

Mr. GAYLEY. Yes, sir.

The CHAIRMAN. The National Tube Co. ceased to be a customer, if I can use such a word, of the Carnegie Steel Co., and then the National Tube Co. having invaded the business of the Carnegie Steel Co. in making raw material where theretofore it had not, the Carnegie Co. turned around and began to make tubes?

Mr. GAYLEY. No; it did not begin to make tubes.

The CHAIRMAN. It prepared to make them?

Mr. GAYLEY. We had not decided, Mr. Chairman, whether it should be tubes or whether we should go into wire, according to the best of my recollection. We had no purpose in view of simply going into the business of the company that had withdrawn its steel orders from us, but to go into what appeared to be the most profitable business to utilize the steel.

The CHAIRMAN. You wanted to utilize the steel that the National Tube Co. had theretofore purchased?

Mr. GAYLEY. That is correct.

The CHAIRMAN. And if the National Tube Co. had not put up blast furnaces you would not have found it necessary to extend your business in that direction?

Mr. GAYLEY. That is the idea.

Mr. YOUNG. Do you know about a proposition that at that time Mr. Carnegie, or the Carnegie Co., was building a railroad from Pittsburg to New York, paralleling the Pennsylvania?

Mr. GAYLEY. At what time?

Mr. YOUNG. About 1899, or from then on up to——

Mr. GAYLEY (interposing). I never heard of it.

Mr. YOUNG. When did the Carnegie Co. build its road from Pittsburg to Conneaut?

Mr. GAYLEY. Well, it never built it. There was a road there that came within 30 or 40 miles, perhaps, of Pittsburg—the one to Conneaut—and they acquired that road and extended it down to their works at Braddock.

Mr. YOUNG. When did that occur?

Mr. GAYLEY. Along in 1897 or 1898, to the best of my recollection.

Mr. YOUNG. Was it over the route that the Lake Superior ores found their way to Pittsburg and to the Carnegie Co.?

Mr. GAYLEY. Partly.

Mr. YOUNG. Did you have any part in the negotiations which led to the sale of the Carnegie Co. and its property to the United States Steel Corporation?

Mr. GAYLEY. I did not.

Mr. YOUNG. Were you cognizant of them as they went along?

Mr. GAYLEY. Yes, sir.

Mr. YOUNG. State what you know in regard to those transactions—how they arose and who proposed them, if you know?

Mr. LINDABURY. Are you asking for his knowledge or for hearsay?

Mr. YOUNG. I am asking for his knowledge.

Mr. GAYLEY. I do not think I have any knowledge; I simply knew what report Mr. Schwab, the president, brought back from time to time to his directors in Pittsburg. I am only cognizant in so far as he reported from time to time the progress of developments.

Mr. YOUNG. Will you state what he reported, then, to those associated with him from time to time?

Mr. GAYLEY. I can not.

Mr. YOUNG. But you remember something in regard to it?

Mr. GAYLEY. I only have a very general recollection about it. He reported the formation of what is now known as the United States Steel Corporation, what works would probably go into it, and what railroads and mining properties would go in. I do not think that anything was said in regard to the price until practically his last visit to Pittsburg, when he brought it up before the board of directors to vote on it. The details of the negotiations I had nothing to do with.

Mr. YOUNG. Did you approve of the deal?

Mr. GAYLEY. I did at the time.

Mr. YOUNG. In what way did you receive payment for your interest in the Carnegie Co.?

Mr. GAYLEY. Bonds and stock.

Mr. YOUNG. Do you remember what the proportion between the bonds and the different issues of stock was?

Mr. GAYLEY. We got, as I recollect, par on bonds.

Mr. YOUNG. You got what?

Mr. GAYLEY. Par—par for the Carnegie bonds—1½ preferred and 1½ common for our stock; a little variation from that, but that is it substantially.

Mr. YOUNG. After the formation of the United States Steel Corporation, did you become connected with it in any official capacity?

Mr. GAYLEY. I did.

Mr. YOUNG. In what capacity?

Mr. GAYLEY. I was its first vice president.

Mr. YOUNG. As its first vice president, what were your duties?

Mr. GAYLEY. My duties were to have general supervision over the procuring and assembling of its raw material.

The CHAIRMAN. At this time I suggest that inasmuch as we have a little business in the House—getting a resolution through—if it suits the convenience of Mr. Gayley, we will adjourn until 1.45 o'clock p. m.

(Thereupon the committee took a recess until 1.45 p. m.)

AFTER RECESS.

The committee resumed its session at 1.45 o'clock p. m., Hon Augustus O. Stanley (chairman) presiding.

TESTIMONY OF MR. PERCIVAL ROBERTS, JR.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Roberts, I believe you are a director in the United States Steel Corporation?

Mr. ROBERTS. I am a director of the United States Steel Corporation.

The CHAIRMAN. In what other companies are you a director?

Mr. ROBERTS. I am a director of the Pennsylvania Railroad; director of the Philadelphia National Bank; director of the Land Title & Trust Co., of Philadelphia; director of the American Society of Civil Engineers—although that is not a concern of profit—and a few small, insignificant companies that have no bearing upon the case in question.

The CHAIRMAN. If you have a list of them, I would like to have it.

Mr. ROBERTS. I think I can give them all to you. I am a director of the Pennsylvania & New York Tunnel & Terminal Co., which represents the Pennsylvania Terminal in New York City, a subsidiary company of the Pennsylvania Railroad; the Cambria & Clearfield Railroad; the New York Connecting Road, which is the connection between the Pennsylvania and the New York, New Haven & Hartford Road, a small subsidiary road. Those are all, I believe.

The CHAIRMAN. In order to save your time, Mr. Roberts, and the time of the committee, I will ask you to give us, at some time convenient to you, a statement of the capitalization, including stocks and bonds, of each of the concerns of which you are a director.

Mr. ROBERTS. I will be very glad to do so, sir.

Mr. LINDABURY. I feel I ought to object to that, Mr. Chairman. I would not object to giving the capitalization of any company affiliated in any way whatsoever with the United States Steel Corporation; but it seems to me not quite proper under your resolution that such an inquiry should be made with regard to corporations in no way connected with the United States Steel Corporation.

The CHAIRMAN. Mr. Lindabury, it may be that the companies not affiliated with the United States Steel Corporation, of course, would not be material to this question. However, it is only through my effort to be exact from the standpoint of the witness that I ask for this information. All these companies of any importance are quoted in Moody's Manual or in some other publication, and I could secure this information in some other way, but I would not get it as accurately. It is for the purpose of protecting the witness and for the purpose of securing accurate information that I have made these requests of the witnesses. If they are not in any way affiliated or associated with the United States Steel Corporation, the witness is certainly not divulging any of his private matters, and I believe that Mr. Lindabury has discovered by this time that it is not the purpose of the chairman to pry into the personal or private matters of any man further than it touches materially this inquiry. But I believe we can secure this information better by allowing the witness himself to come before this committee and make a statement of these matters, which are matters of common knowledge anyway.

I presume, Mr. Roberts, you are not a director in any company that has any purpose in the world to conceal from the world the amount of its capitalization?

Mr. ROBERTS. I know of none. I think they are all matters of public record.

The CHAIRMAN. Certainly.

Mr. BARTLETT. As to whether we have that right or not, I call the counsel's attention to the wording of the resolution, line 10, page 2:

Also whether said steel corporation through the persons owning its stock, its officers or agents, has or has had any relations with the Pennsylvania Railroad Co., or any other railroad company, or any coal companies, national banking companies, trust companies, insurance companies, or other corporate organizations or companies, or with the stockholders, directors, or other officers or agents of said companies, or with any person or persons, which have caused or have a tendency to cause any of the results following.

Mr. LINDABURY. I had that in mind, but it did not seem to me the mere fact that a director in the United States Steel Corporation happened to be a director in other corporations, of itself, showed any affiliation within the meaning of that resolution.

Mr. BARTLETT. Not unless it was followed up.

The CHAIRMAN. That is a mere factor, and whether or not it is of evidential value——

Mr. BARTLETT (interposing). Answering the counsel, of course you have got to prove the facts here like you would in any other sort of case. You can not prove them all at once. For instance, in the case of proving a conspiracy—I do not mean to apply that offensively to this case—you have got to prove facts here and there, and you can not prove your case all at once, and it is not like introducing a note, signed and sealed, which in itself is sufficient proof.

Mr. LINDABURY. I withdraw the objection if the idea is that this is introductory to proof of affiliation between these companies within the meaning of the resolution.

Mr. BARTLETT. That would be the purpose of it under the resolution, and I apprehend that is the purpose of the chairman.

The CHAIRMAN. We can make our deductions after we get the facts. The rules governing investigations of this kind by the committee are not technical in the same sense that they are in courts of justice. The purpose of this committee is to ascertain the facts under a broader methor of procedure and a wider scope than is prescribed by the rules of law, in which a man is a defendant, civilly speaking. The real purpose is to get the facts that are germane or may be germane.

Now, Mr. Roberts, Mr. Clement A. Griscom is a director of the United States Steel Corporation?

Mr. ROBERTS. He is.

The CHAIRMAN. He is also a director in the Pennsylvania Railroad?

Mr. ROBERTS. He is.

The CHAIRMAN. Mr. Henry C. Frick is a director in the United States Steel Corporation?

Mr. ROBERTS. He is.

The CHAIRMAN. Is he a director in the Pennsylvania Railroad Co.?

Mr. ROBERTS. He is.

The CHAIRMAN. Mr. Henry Walters is a director in the United States Steel Corporation, I believe?

Mr. ROBERTS. Yes, sir.

The CHAIRMAN. Is he a director in the Lackawanna Steel Co.?

Mr. ROBERTS. I do not know.

The CHAIRMAN. You are not a director of that company?

Mr. ROBERTS. No, sir.
The CHAIRMAN. Mr. Samuel Mather is a director in the United States Steel Corporation?
Mr. ROBERTS. He is.
The CHAIRMAN. Is he a director in the Lackawanna Steel Co.?
Mr. ROBERTS. I can not answer that.
The CHAIRMAN. Are you a director in the Pennsylvania Steel Co.?
Mr. ROBERTS. No, sir.
The CHAIRMAN. Do you know Mr. E. B. Morris?
Mr. ROBERTS. Yes; Mr. Effingham B. Morris, of Philadelphia?
The CHAIRMAN. Is he a director in the Pennsylvania Railroad Co.?
Mr. ROBERTS. He is a director of the Pennsylvania Railroad Co.
The CHAIRMAN. He is a director also in the Pennsylvania Steel Co.?
Mr. ROBERTS. I believe so.
The CHAIRMAN. Is he a director in the Cambria Steel Co.?
Mr. ROBERTS. I think he is.
The CHAIRMAN. Do you know Mr. E. T. Stotesbury?
Mr. ROBERTS. I do.
The CHAIRMAN. Is he a director in the Pennsylvania Steel Co.?
Mr. ROBERTS. I can not answer.
The CHAIRMAN. Is he a director in the Cambria Steel Co.?
Mr. ROBERTS. I do not know.
The CHAIRMAN. Do you know Mr. G. F. Baer?
Mr. ROBERTS. George F. Baer, president of the Philadelphia & Reading Railroad?
The CHAIRMAN. Yes.
Mr. ROBERTS. I do.
The CHAIRMAN. Is he a director in the Pennsylvania Steel Co.?
Mr. ROBERTS. I do not know.
The CHAIRMAN. Is he a director in the Cambria Steel Co.?
Mr. ROBERTS. I think he is.
The CHAIRMAN. Do you know Mr. Thomas H. Ely?
Mr. ROBERTS. Yes.
The CHAIRMAN. Is he a director in the Pennsylvania Steel Co.?
Mr. ROBERTS. I think he is.
The CHAIRMAN. And a director in the Cambria Steel Co.?
Mr. ROBERTS. I can not answer that.
The CHAIRMAN. Do you know Mr. F. C. Smith?
Mr. ROBERTS. I do not.
The CHAIRMAN. You have no connection with the Cambria Steel Co.?
Mr. ROBERTS. None whatever.
The CHAIRMAN. Mr. Roberts, were you ever a director in the American Bridge Co.?
Mr. ROBERTS. I was a director of the American Bridge Co. and its president from May, 1900, until some time early in 1901, when the United States Steel Corporation was formed.
The CHAIRMAN. Is Mr. Carnegie a stockholder in that company?
Mr. ROBERTS. The American Bridge Co.?
The CHAIRMAN. Yes.
Mr. ROBERTS. Not to my knowledge.

The CHAIRMAN. Was the Carnegie Steel Co. interested in the American Bridge Co. at the time it was taken into the United States Steel Corporation?

Mr. ROBERTS. Not beyond the sale to the bridge company of its Keystone Bridge plant, which was one of the shops purchased by the American Bridge Co., and was the property of the Carnegie Steel Co.

The CHAIRMAN. Are you a director in any iron-ore company at this time?

Mr. ROBERTS. No, sir

The CHAIRMAN. Are you a director in any coal company?

Mr. ROBERTS. I am a director of one which I forgot to mention, an anthracite company, known as the Union Improvement Co. of Philadelphia, the holder of coal properties which are leased to operating companies. It is a small concern holding some properties in the Lehigh Valley of Pennsylvania.

The CHAIRMAN. You will also place that among the list previously mentioned, Mr. Roberts?

Mr. ROBERTS. Yes; I will be very glad to do so.

The CHAIRMAN. You gave me the names of the banks and railroads in which you are a director?

Mr. ROBERTS. I did.

The CHAIRMAN. Were you ever connected with the Pencoyd Iron Works when it was organized?

Mr. ROBERTS. When it was organized?

The CHAIRMAN. Yes.

Mr. ROBERTS. The Pencoyd Iron Works was originally a partnership, formed in the year 1852. It was organized under the laws of Pennsylvania as a corporation, I think, in about 1894.

The CHAIRMAN. That is what I referred to.

Mr. ROBERTS. I was its vice president at the time of its organization and afterwards was its president.

The CHAIRMAN. What was its capitalization?

Mr. ROBERTS. Its capitalization was $1,000,000 in stock and $500,000 in bonds.

The CHAIRMAN. What did it manufacture?

Mr. ROBERTS. It manufactured a complete list of structural material. It comprised an open-hearth plant and finishing mills, which manufactured a complete line of structural materials. It also had a bridge and structural shop connected with it.

The CHAIRMAN. Did it manufacture its own steel—have blast furnaces?

Mr. ROBERTS. It had no blast furnaces. We purchased pig iron, and from pig iron manufactured steel.

The CHAIRMAN. From whom did you purchase pig iron?

Mr. ROBERTS. In the open market, from various furnaces in Virginia and Pennsylvania.

The CHAIRMAN. Were those furnaces at that time competing one with the other?

Mr. ROBERTS. They were.

The CHAIRMAN. Have those furnaces since been taken either by the United States Steel Corporation, the Cambria Steel Co., or the Lackawanna Steel Co., or the Pennsylvania Steel Co.?

Mr. ROBERTS. I think not. We may at times have purchased pig iron from the Carnegie Steel Co. I think we did occasionally. The other furnaces were, some in Virginia, some in Pennsylvania, and one in particular was located close to our plant and was known by the name of the Swede Furnaces, I think. They, I think, have been purchased since by the Alan Wood Co., of Philadelphia.

The CHAIRMAN. Are those furnaces from which you formerly purchased pig iron operated as independent and competing companies now?

Mr. ROBERTS. I think they are; yes, sir.

The CHAIRMAN. Did you have any open-hearth furnaces? If so, how many, between the year 1890 and the year 1900?

Mr. ROBERTS. We had varying numbers during that period, as the plant was increasing in size. I think I am correct in saying that at 1900 we had 10 open-hearth furnaces, with an output of about 200,000 tons of ingots a year.

The CHAIRMAN. What was the tonnage of structural material during that time?

Mr. ROBERTS. What time?

The CHAIRMAN. Between 1890 and 1900.

Mr. ROBERTS. Our tonnage, I think, was about 165,000 tons a year of finished structural material.

The CHAIRMAN. That is, such as bridge work?

Mr. ROBERTS. No, sir; I am speaking of structural material before fabrication. That was the product of the rolling mill.

The CHAIRMAN. That is what I wanted to know.

Mr. ROBERTS (continuing). Now, the output of the bridge shop, or the structural department, was about 65,000 tons a year, as I recall. The rolling mills department sold in the open market, as well as supplying the structural shop, the output of the rolling mills being about 180,000 tons a year, and the bridge department's output about 65,000 tons a year.

The CHAIRMAN. Did you produce your axles?

Mr. ROBERTS. We did.

The CHAIRMAN. What tonnage, during these same years?

Mr. ROBERTS. I am unable to give you that tonnage. It would be included in the 180,000 tons which I have mentioned.

The CHAIRMAN. How many men did you employ during that period?

Mr. ROBERTS. In the year 1900 I think we were employing about 3,700 men.

The CHAIRMAN. Between 1890 and 1900; that is, before the time when these gentlemen's agreements were under the ban of the law, was the Pencoyd Iron Works in any of these gentlemen's agreements?

Mr. ROBERTS. Prior to the year 1900?

The CHAIRMAN. Yes; or 1890.

Mr. ROBERTS. They were. They were a member of what was known as the "Structural Material Pool," which comprised all the makers of structural material in the country.

Mr. GARDNER. Will you ask him the date of that?

The CHAIRMAN. What was the date of that?

Mr. ROBERTS. That would be prior——

The CHAIRMAN. I asked him "at any time," and I do not intend to ask him about any agreements except those prior or anterior to

the time when the Sherman antitrust law went into effect, because if through some inadvertence he should admit he was in an agreement of that kind after that time, I myself would not seek to elicit that information for that reason. Of course, a man does not often know when an act goes into effect.

Mr. GARDNER. Your date seemed not to coincide with the time when the Sherman Act took effect.

Mr. LINDABURY. I myself am a little confused as to what the real question is.

The CHAIRMAN. I asked him, prior to the Sherman Antitrust Act, and at a time before these gentlemen's agreements were inhibited by the Sherman Act, if he was in any of these gentlemen's agreements. That was my purpos, and not to elicit any information after the operation of the Sherman Antitrust Act. I am not asking for anything after that act went into effect.

Mr. ROBERTS. Will you give me that date?

The CHAIRMAN. The Sherman Antitrust Act is known as the act of July 2, 1890.

Mr. ROBERTS. Yes; those combinations existed up to the year 1900, I think.

Mr. BARTLETT. Mr. Chairman, I would suggest that if you ask any of the gentlemen a question they do not want to answer, I think they themselves should be the judge as to that.

The CHAIRMAN. Yes. I will be frank with the gentlemen. It is not my purpose to ask any gentleman who comes here any question about these gentlemen's agreements that would embarrass him. I want to find out about any combinations that now exist, and things connected with the United States Steel Corporation. As to the affairs of these independent companies and the gentlemen's agreements prior to the formation of the United States Steel Corporation, I am simply asking about those things to throw light upon this question.

Mr. BARTLETT. I think these gentlemen are able to take care of themselves, and I might want to ask such a question, and they might be perfectly willing to answer.

The CHAIRMAN. I want them to answer with the greatest freedom, and I think that would be the case if they know my purpose.

Mr. LINDABURY. The witness has answered that they existed up until 1900.

Mr. ROBERTS. Prior to 1900, I should say. I am not sure that they existed actually until 1900, but during the latter part of the last century or during the last 10 years of the last century they did exist.

The CHAIRMAN. These constituent companies which were finally merged into the United States Steel Corporation have a history of their own, which is instructive, and which, in my opinion, throws much light upon the evolution of the United States Steel Corporation. They were, in a way, its foundation. Without them I do not believe the United States Steel Corporation would or could have been organized, and for that reason I am seeking to know the anterior history of these 9 or 10 constituent companies which finally formed this corporation. But I am not seeking to discover at this time, so far as the chairman is concerned—and I speak only for myself—any information for any other purpose than as it is relevant to the inquiry suggested and authorized by this resolution.

Now, who were the parties to those agreements, Mr. Roberts—what concerns?

Mr. LINDABURY. Would you mind specifying as to the date—whether you mean prior to 1890 or prior to 1900?

The CHAIRMAN. Within the limits of time stated by the gentleman; at any time prior to that.

Mr. ROBERTS. During that period there were a number of what might be termed "trade wars," in which material would be reduced in price to a point at which it was utterly impossible to continue and live. The makers would then come together and form arrangements with each other, whereby they would limit their percentages of output and fix upon living prices. There were a number of those comings together and disruptions during those years. The exact dates I have not with me and I do not recall, except to say that one disruption was during the years 1897 and 1898, when abnormally low prices prevailed. The exact dates I can not give you. The members of the association I referred to were the makers of structural material. The makers of plates also had arrangements; the makers of billets had arrangements; the makers of rails had arrangements. It was the only result of destructive competition.

The CHAIRMAN. Who were the makers of bridge materials at that time?

Mr. ROBERTS. The makers of structural material at that time were the New Jersey Iron & Steel Co., the Passaic Rolling Mills Co., the Phoenix Iron Co., Pencoyd Iron Works, Carnegie Steel Co., the Illinois Steel Co., Jones & Laughlin; and there may have been a few smaller ones that I do not recall. Those were the principal makers at that time.

The CHAIRMAN. These agreements were called pools, were they not?

Mr. ROBERTS. Yes; I have heard them called that.

The CHAIRMAN. Roundly speaking, they were for the purpose of fixing the prices of billets, beams, ingots——

Mr. ROBERTS (interposing). No; not ingots. As a rule, ingots is not an article of commerce.

The CHAIRMAN. You can not reheat it cheaply enough to justify your selling it?

Mr. ROBERTS. It is usually treated in a way that you make it into a billet, and that is an article of commerce.

The CHAIRMAN. As I understand it, the ingot is too large to justify reheating it?

Mr. ROBERTS. Not necessarily; but it is not economical to handle it in that shape.

The CHAIRMAN. But billets and beams?

Mr. ROBERTS. Billets, plates, beams, structural material, and rails.

The CHAIRMAN. What length of time elapsed between the abandonment of the gentlemen's agreements and the institution of the so-called Gary dinners?

Mr. ROBERTS. Many years.

Mr. LINDABURY. I call the examiner's attention to the fact that the term "gentlemen's agreement" has not been used by the witness, and it is not he, therefore, who has called the agreements by that name. It is, perhaps, not an accurate term to describe it.

The CHAIRMAN. If you can give it a more nearly accurate name I shall be glad to have you do so.

Mr. BARTLETT. He did not say "gentlemen's agreements," but he said agreements made between these gentlemen named, and I apprehend it might be called a "gentlemen's agreement."

Mr. LINDABURY. If that is the only meaning intended to be applied to it I do not object.

Mr. ROBERTS. I might call them manufacturers, rather than gentlemen.

The CHAIRMAN. I would not object to calling a manufacturer a gentleman, certainly, and I am not interested in the name of the baby, but it is the infant itself.

Mr. LINDABURY. The term "gentlemen's agreement" has assumed somewhat of a significance which I think does not attach to this agreement, and, therefore, the term I think is misdescriptive of these particular agreements as I happen to know them.

Mr. BARTLETT. These gentlemen's agreements are agreements which they do not put in writing, for the reason that they are kept regardless of the fact that they are not in writing. I apprehend that is what is meant.

The CHAIRMAN. It is a sort of a point of honor among the high contracting parties.

Mr. LINDABURY. This is not one of that kind.

The CHAIRMAN. Well, there was a time when you made agreements which were in the nature of a legal contract, if not a legalized contract, which were or which you believed were enforceable, and which might be put in writing and receive the signatures of the parties thereto, and were, as a matter of fact, often in writing?

Mr. ROBERTS. I am not a lawyer, but I never understood that they were legal or binding agreements.

The CHAIRMAN. Were they in writing?

Mr. ROBERTS. I do not think they were. You asked me as to a signed document. They were probably put in writing as to the prices, and so on.

The CHAIRMAN. A memorandum of the agreement was made.

Mr. ROBERTS (continuing). And the various parties subscribed to it, but I do not think in the nature of any legal document which would have been binding or which would have been enforced as between the parties.

The CHAIRMAN. There was no consideration passing?

Mr. ROBERTS. Nothing whatever.

The CHAIRMAN. Now, was there any penalty attached to the violation of these agreements among yourselves?

Mr. ROBERTS. No; not beyond the fact that if you exceeded your tonnage allotment you paid a certain amount on your tonnage over and above that into the pool, which was distributed among the other parties.

The CHAIRMAN. And if you sold below the price fixed?

Mr. ROBERTS. There was nothing to prevent your doing it.

Mr. BARTLETT. Just a mere agreement as to the output, was it?

Mr. ROBERTS. Yes, sir; the output was taken as 100, and then the estimated capacity of the various works was taken into account, and they were then allotted certain percentages of the total, which they could sell at any price they pleased, but if they exceeded their allotted percentages they were penalized.

Mr. BARTLETT. That was done after investigation and inquiry as to what amount of output would control prices, was it not?

Mr. ROBERTS. No, sir; it had nothing to do with the consumption. It had to do with the capacities of the works. If, for instance, the capacity of one works was 10,000 tons, another 5,000, and so on, they were allotted, and then they took their percentages.

Mr. BARTLETT. If there was a great demand, and a greater demand for the output than the agreed amount of the manufacturers, would not that increase the price?

Mr. ROBERTS. No, sir; it had nothing whatever to do with the consumption.

Mr. BARTLETT. Whether your agreement was to increase the price or not, the fact that you agreed to diminish the output and keep it down, if the output did not equal the demand of the public for the goods, would that not keep the price up?

Mr. ROBERTS. Well, as a matter of fact, the output was never below the demand. The capacities of the works were sufficient to take care of the demand.

Mr. BARTLETT. Now, just before you go any further, what could be the purpose of diminishing the output if it did not tend to have some relation to the price?

Mr. ROBERTS. Because there was no object in a man taking beyond his allotted percentage, and therefore it tended to steady prices. The penalty was so great that if he exceeded his allotted percentage he ran at cost.

Mr. BARTLETT. Then the purpose was to steady prices?

Mr. ROBERTS. It was; and it acted very efficiently.

The CHAIRMAN. If the price became unsteady, Mr. Roberts, lost its equilibrium, was it liable to go up or down?

Mr. ROBERTS. Well, unstable equilibrium generally tends to fall.

The CHAIRMAN. And that was the thing you wished to prevent?

Mr. ROBERTS. Most certainly.

The CHAIRMAN. Mr. Roberts, did you ever attend any of these Gary dinners?

Mr. ROBERTS. No, sir; I have never had the honor of an invitation.

The CHAIRMAN. What has been the difference, if you know, as to effectiveness in maintaining the stability of prices between the gentlemen's agreement or other agreements or pools and the institution known as the Gary dinners?

Mr. ROBERTS. I have never attended one of those. I have never read the reports of any of them. From my intercourse with Judge Gary, and from the observations that I have made, I should say that the tendency was to eliminate destructive competition, but not to affect free competition within he rule of reason.

The CHAIRMAN. You speak of destructive competition. The destruction wrought was upon the price of the articles?

Mr. ROBERTS. No; the destruction was wrought to those who participated in that competition.

The CHAIRMAN. These men were rivals in business, these various concerns. Did they attempt to injure each other or injure the plant or business of one another in any other way than by the cutting of prices?

Mr. ROBERTS. It was an attempt on the part of each one to keep his works in full operation, regardless of cost, when necessary.

The CHAIRMAN. I mean this: Those who were engaged in the steel business under the Carnegie régime—for the lack of a better word—under the old system of selling where and how and for what you pleased, without any understanding as to price, tonnage, or territory—these men who thus competed in that way were the same men who now compete under a different understanding, are they not, to a degree?

Mr. ROBERTS. No; because, very largely, those who were in business prior to 1900 have passed away through natural causes or otherwise; and the result during that time of that destructive competition was that it would continue for a certain period of time. When they could no longer maintain it, the weaker went to the wall. As is a well known fact, there is no industry in the country where, prior to 1900, there were as many wrecks as in the steel business. When it came to the point they felt they could no longer continue it, they came together and formed some temporary arrangement by which prices could be restored, which lasted probably a few years until some one made an unstable equilibrium, and then the matter was thrown open again until they came to such a condition of suffering that they renewed it. It was a case of coming together and breaking up again. That, I think, was my experience from the year 1876 until 1900.

The CHAIRMAN. What I am driving at is this: The men who manufactured steel then, just as the men who manufacture steel now, did not do anything to hurt or injure a competitor other than to sell at less than he sold for, and in that way involve him in financial trouble. They did not attempt to blow each other's plant up or injure one another in any other way than by making his business less profitable, on account of the fact that one man, by the superiority of his position, his skill, his industry, the facility of his employees, or the fortunate location of his plant in the assembling of material or in marketing of it, one man would have an advantage over another; and when they entered these bitter fights then there was a survival of the fittest; and the man who could sell pig iron, say for $10 a ton and make it for $9, could weather the storm, and the man who was making pig iron at a price, say of $9.10, and had to sell it at 10 cents less than it cost him, he went to the wall. That was the situation that existed then, was it not?

Mr. ROBERTS. Well, it was a case of everyone for himself, so far as the producer was concerned; but in that conflict the consumer suffered equally.

The CHAIRMAN. I am not speaking of the consumer. Did they ever attempt to destroy each other in any other way than by competition?

Mr. ROBERTS. Oh, no. They were not illegal. There was nothing illegal about their operations toward each other.

The CHAIRMAN. Well, they might do things which were not illegal, but were unmanly. To illustrate, suppose in that day the Cambria Steel Co. had been in existence, and I presume it was, and the Pennsylvania Steel Co. had been in existence, and I presume it was; and they were competing fiercely, and the Cambria Steel Co. could not manufacture as cheaply as the Pennsylvania Steel Co., and in order to weather the storm it would issue bonds and place them in a bank of Pittsburg as collateral for a loan. In that day did any man attempt to discover the creditors of his competitor, and then having discov-

ered the creditors of his competitor, to call his loans and further involve him in financial distress in order to destroy him, not in open competition, but by those underhand methods that have in other countries and at other times existed? Was there anything of that kind?

Mr. ROBERTS. So far as I am concerned, I could answer "no." Beyond that I do not believe I am competent to express an opinion.

The CHAIRMAN. It was vicious, open, honorable battle, as I understand it.

Mr. LINDABURY. The witness, Mr. Chairman, has already testified that they did it by selling below their own cost.

The CHAIRMAN. That was the only method they used? That is the only method? That is what I want to know.

Mr. ROBERTS. It was the principal one; yes.

The CHAIRMAN. Well, was there any other method of which you are advised?

Mr. ROBERTS. No; I should say that was the principal method used.

Mr. LINDABURY. That is the method held up to crucifixion in the tobacco case by the Supreme Court.

The CHAIRMAN. There were other manufacturers before the court in the tobacco case.

Mr. LINDABURY. I mentioned that as one of them.

The CHAIRMAN. The making of differential contracts where a man was paid so much to sell the articles of the American Tobacco Co. alone and so much if he sold his competitors' articles was involved in that case. Of course, we are not going into that case, but if open competition had been the only sin of the American Tobacco Co., I am prone to believe it would not now be justly under the ban of the law.

Mr. Roberts, you say you made your axles?

Mr. ROBERTS. We did.

The CHAIRMAN. Was there an agreement with reference to the price of axles and the tonnage of concerns producing it?

Mr. ROBERTS. I never knew of any.

The CHAIRMAN. Were you a party to the existence of a bridge pool any time about 1890?

Mr. ROBERTS. I was not.

The CHAIRMAN. What were the different bridge works which composed the American Bridge Co. at the time it was taken into the United States Steel Corporation?

Mr. ROBERTS. At this time or at the time of its formation?

The CHAIRMAN. At the time of its formation what were its constituent companies?

Mr. ROBERTS. It was composed of 25 shops. For the names and locations and details I would refer you to the Iron and Steel Works Directory of 1901, published by the American Iron & Steel Association, and a complete list is given, commencing on page 59. With your permission, Mr. Chairman, I might say that the word "Bridge" in the name of the American Bridge Co., and as probably I shall use it here, is of a somewhat wider significance than is usually understood by that term. It is used there in the sense of any structure composed wholly or principally of steel; not alone bridges, but buildings and even steel boats. So that it embraces a much wider field than the sense in which it is usually used.

The CHAIRMAN. I would like to have that list in the record.

(The list referred to is as follows:)

ROLLING MILLS AND STEEL WORKS (1).

Pencoyd Iron Works, A. & P. Roberts Co., operators; general office, 261 South Fourth Street, Philadelphia. Works in Montgomery County, opposite Manayunk, Pa. Built in 1852; 11 regenerative gas-heating furnaces, 3 coal-fired heating furnaces, and 5 trains of rolls (one 12, two 23, one 28, and one 2-high 36-inch reversing). Steel department, added in 1887 and since enlarged, contains one 75-gross-ton and ten 30-gross-ton basic open-hearth furnaces; annual capacity, 230,000 gross tons of ingots. Product—open-hearth steel channel bars from 2 to 15 inches, beams from 3 to 24 inches, deck beams from 5 to 12 inches, tees from 1 to 6 inches, angles from 1 to 8 inches, flats from 1 to 14 inches wide, rounds from ½ inch to 7 inches in diameter, hammered or rolled axles, bar and bridge steel, shafting, and steel blooms; annual capacity, 180,000 gross tons of finished material. Specialities, structural shapes, shafting, and bar and bridge steel. Brand, "Pencoyd." Fuel, bituminous coal.

Bridge and construction department contains equipment for all classes of bridge and architectural work; also standard railroad turntables; also hydraulic forge shop for the manufacture of solid forged steel eyebars from 3 to 12 inches wide; annual capacity, 65,000 gross tons. Fuel, bituminous coal.

Officers: Charles Major, president; James Christie, vice president; and J. W. Davis, secretary and treasurer, 261 South Fourth Street, Philadelphia. For sales offices see list of branch offices of American Bridge Co. of New York.

Total annual capacity of the rolling mills and steel works: Open-hearth steel ingots, 230,000 gross tons; finished products, 180,000 tons; of the bridge and construction works, 65,000 gross tons.

BRIDGE BUILDING PLANTS (25).

American Bridge Works, Fortieth Street and Stewart Avenue, Chicago, Ill. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 32,500 gross tons. (Formerly operated by the American Bridge Works.)

Berlin Iron Bridge Works, East Berlin, Conn. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 10,800 gross tons. (Formerly operated by the Berlin Iron Bridge Co.)

Buffalo Bridge and Iron Works, Buffalo, N. Y. Railroad and highway bridges. Annual capacity, 4,000 gross tons. (Formerly operated by the Buffalo Bridge and Iron Works.)

Edge Moor Bridge Works, Edge Moor, Del. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 22,500 gross tons. (Formerly operated by the Edge Moor Bridge Works.)

Elmira Bridge Works, Elmira, N. Y. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 27,000 gross tons. (Formerly operated by the Elmira Bridge Co. (Ltd.).)

Gillette-Herzog Manufacturing Works, 259 First Avenue south, Minneapolis, Minn. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 10,800 gross tons. (Formerly operated by The Gillette-Herzog Manufacturing Co.)

Groton Bridge and Manufacturing Works, Groton, N. Y. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 7,200 gross tons. (Formerly operated by the Groton Bridge & Manufacturing Co.)

Hilton Bridge Works, North Albany, N. Y. Railroad and highway bridges. Annual capacity, 5,400 gross tons. (Formerly operated by the Hilton Bridge Construction Co.)

Horseheads Bridge Works, Horseheads, N. Y. Highway bridges; have erected a few railroad bridges. Annual capacity, 1,800 gross tons. (Formerly operated by the Horseheads Bridge Co.)

Keysone Bridge Works, Fifty-first Street, Pittsburg. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 32,500 gross tons. (Formerly operated by The Carnegie Co. (Ltd.).)

Lafayette Bridge Works, Lafayette, Ind. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 2,700 gross tons. (Formerly operated by The Lafayette Bridge Co.)

Lassig Bridge and Iron Works, corner Clybourn and Wrightwood Avenues, Lake View, Chicago, Ill. Railroad bridges only. Also erect steel buildings.

Annual capacity, 40,500 gross tons. (Formerly operated by the Lassig Bridge and Iron Works.)

Milwaukee Bridge and Iron Works, Seventeenth Street and St. Paul Avenue, Milwaukee, Wis. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 10,800 gross tons. (Formerly operated by the J. G. Wagner Co.)

New Columbus Bridge Works, Columbus, Ohio. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 3,600 gross tons. (Formerly operated by the New Columbus Bridge Co.)

Pencoyd Iron Works (bridge and construction department), A. & P. Roberts Co., operators, 261 South Fourth Street, Philadelphia. Works in Montgomery County, opposite Manayunk, Pa. Railroad and highway bridges. Also erect steel buildings. Annual capacity 65,000 gross tons.

Pittsburg Bridge Works, Thirty-eighth Street and Allegheny Valley Railway, Pittsburg, Pa. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 13,500 gross tons. (Formerly operated by the Pittsburg Bridge Co.)

Post & McCord Works, Greenpoint, Long Island, New York. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 21,600 gross tons. (Formerly operated by Post & McCord.)

Rochester Bridge & Iron Works, Rochester, N. Y. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 4,500 gross tons. (Formerly operated by the Rochester Bridge & Iron Works.)

Schultz Bridge Iron Works, McKees Rocks, Pa. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 9,000 gross tons. (Formerly operated by the Schultz Bridge Iron Co.)

Shiffler Bridge Works, Forty-eighth Street and Allegheny Valley Railway, Pittsburg, Pa. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 36,000 gross tons. (Formerly operated by the Shiffler Bridge Co.)

Toledo Bridge Works, Toledo, Ohio. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 25,000 gross tons. (Formerly operated by The Toledo Bridge Co.)

Trenton Iron Works, Trenton, N. J. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 27,000 gross tons. (Formerly operated by the New Jersey Steel & Iron Co.)

Union Bridge Works, Athens, Pa. Railroad bridges only. Annual capacity, 13,500 gross tons. (Formerly operated by the Union Bridge Co.)

Youngstown Bridge Works, Youngstown, Ohio. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 5,000 gross tons. (Formerly operated by the Wrought Iron Bridge Co.)

Youngstown Bridge Works, Youngstown, Ohio. Railroad and highway bridges. Also erect steel buildings. Annual capacity, 9,000 gross tons. (Formerly operated by the Youngstown Bridge Co.)

Total annual capacity of the 25 bridge-buildings plants, 441,200 gross tons.

BOLT, NUT, AND RIVET WORKS (5).

Edgemoor Bridge Works, Edgemoor, Del. Product, rivets, principally for their own use in the construction of bridges, buildings, etc. Sizes of rivets, from five-eighths of an inch to 1 inch. Formerly operated by the Edgemoor Bridge Works.)

Elmira Bridge Works, Elmira, N. Y. Product, steel bolts, nuts, and rivets. Sizes: Bolts, from one-half of an inch to 4 inches; nuts, 2 inches and larger; rivets, one-half of an inch and larger. (Formerly operated by the Elmira Bridge Co. (Ltd.).)

Lassig Bridge and Iron Works, Chicago, Ill. Product, steel bolts and rivets. Sizes: Bolts from five-eighths of an inch to 2 inches in diameter; rivets, from one-half of an inch to 1 inch in diameter. (Formerly operated by the Lassig Bridge and Iron Works.)

Pencoyd Iron Works, A. & P. Roberts Co., operators, 261 South Fourth Street, Philadelphia. Works in Montgomery County, opposite Manayunk, Pa. Product, steel bolts, upset rods, and eyebars for bridge and structural work; also steel rivets. Sizes: Bolts, from one-half of an inch to 7 inches in diameter; rivets, from one-half of an inch to 2 inches in diameter.

Trenton Iron Works, Trenton, N. J. Product, steel bolts for their own use in the construction of bridges and buildings; also steel bridge rivets. Sizes of rivets from one-half of an inch to 1¼ inches inclusive. (Formerly operated by the New Jersey Steel & Iron Co.)

The CHAIRMAN. Were you ever connected with the Berlin Bridge Co.?

Mr. ROBERTS. I was not, other than it was one of the shops of the American Bridge Co.

The CHAIRMAN. From 1890 to 1900 what was the extent of its operations, What was the number of men employed?

Mr. ROBERTS. I have no knowledge of it whatever.

The CHAIRMAN. Is it in operation now?

Mr. ROBERTS. I can not answer that question, but I do not think it is.

The CHAIRMAN. What percentage of the bridge business of the United States was controlled by the Pencoyd Co. at the time it was taken into the United States Steel Corporation?

Mr. ROBERTS. I have some data here which has been taken from the reports of the American Iron and Steel Association, and probably I can give it to you from that. There were two distinct classes of shops at that time, one of them belonging to the steel works, such as the Pencoyd plant and bridge plant, which did not belong to the steel plant, who purchased their structural material from the steel works, and then fabricated it. As near as I can get at the statistics the American Bridge Co., at the time of its formation, had a capacity of 441,000 tons a year. The Pencoyd plant alone had a capacity of 65,000 tons a year. The bridge plants belonging to the steel works outside the American Bridge Co. or the Pencoyd plant had a capacity of 150,000 tons a year, while the independent plants, not connected with any steel works, had a capacity of about 1,000,000 tons a year.

Now, taking this information again as of the year 1903, the total annual capacity in the country was 1,741,000 tons per annum, of which the American Bridge Co., which had then become a part of the United States Steel Corporation, had a capacity of 551,000 tons per annum. The total number of plants in the United States had reached 141, of which the United States Steel Corporation had about 25. At the present day the total number of bridge plants outside the United States Steel Corporation are about 400, with an annual capacity of 2,500,000 tons per annum, while the United States Steel Corporation has in the neighborhood of 25 plants, with a capacity of about 700,000 tons per annum, about 33 per cent.

The CHAIRMAN. What is the cost of producing one ton of steel beams, between 5 and 50 inches in depth, steel ingots, Pencoyd mill?

Mr. ROBERTS. At what date?

The CHAIRMAN. At the present time.

Mr. ROBERTS. I could not give you an answer. I have had no knowledge of the Pencoyd plant since the year 1900.

The CHAIRMAN. Say at that date?

Mr. ROBERTS. I can not give you that, sir, from any data I have. It would depend entirely upon the price of pig iron and labor, and it would vary from year to year, or even month to month.

The CHAIRMAN. Is the price of beams and other material, except rails, the same at Philadelphia, Pittsburg, and Chicago?

Mr. ROBERTS. Was it ever?

The CHAIRMAN. Yes, sir.

Mr. ROBERTS. Yes, sir; the price of material other than rails is, as a rule, based on the f. o. b. price, Pittsburg, to which is added the

freight rate to any other point which you may name. That fixes the price of the material in that market. For instance, the price at Pittsburg is 1¼ cents a pound and the freight rate to Philadelphia was one-quarter of a cent; that would mean that structural material f. o. b. Philadelphia would be 1½ cents a pound; that would be the market price.

The CHAIRMAN. And is the same true of Chicago?

Mr. ROBERTS. Yes, sir; the same is true of Chicago.

The CHAIRMAN. Do you manufacture any of those things at Chicago?

Mr. ROBERTS. Of structural material?

The CHAIRMAN. Yes, sir.

Mr. ROBERTS. Yes, sir; the Illinois Steel Co. or the Federal Steel Co., its successor, manufactures structural steel.

The CHAIRMAN. Is it produced more cheaply at Chicago or Pittsburg?

Mr. ROBERTS. I can not answer that question without reference to the detailed cost which, I think, you have. I mean to say, the Government has.

The CHAIRMAN. The Department of Commerce and Labor has in its possession a great deal of information.

Mr. ROBERTS. I so understand.

The CHAIRMAN. My advice is that under the law they are directed to report that very intimate and delicate information to the President.

Mr. ROBERTS. I personally do not know about that.

Mr. LINDABURY. Permit me to interrupt. While, of course, this witness does not have that, the United States Steel Corporation will furnish any sheets of that kind that the committee may ask for. It will take a little time, but we will have schedules made up on any of those subjects.

The CHAIRMAN. I am not in any way criticizing the Department of Commerce and Labor. I am seeking information.

Mr. ROBERTS. I would be very glad to give it to you if I had any data.

The CHAIRMAN. Will you please furnish the committee with the present selling price of beams between 6 and 50 inches in depth and other structural shapes at Pencoyd, Pittsburg, and Chicago mills, including the cost of production?

Mr. ROBERTS. I think you better make that Philadelphia instead of Pencoyd. Pencoyd is a mile or two from Philadelphia, just on the outskirts, and would be the same at Philadelphia, which is the market.

Mr. LINDABURY. Mr. Roberts is going away. The Steel Corporation will always be here, and if you will make that request of the corporation we will be happy to do it.

The CHAIRMAN. You are a director of the Pennsylvania Railroad Co.?

Mr. ROBERTS. I am.

The CHAIRMAN. What is the method of selecting directors of that company?

Mr. ROBERTS. Well, I have never had any experience in that; since the time I have been a director in the Pennsylvania Railroad Co.

there have been no vacancies on the board. I have no knowledge of that.

The CHAIRMAN. Is there not a nominating committee of the directors that first suggests the names of directors?

Mr. ROBERTS. I have never heard of any nominating committee; I do not think there is any.

The CHAIRMAN. Do you know whether those names are submitted to the stockholders and afterwards proposed at the annual meeting for election?

Mr. ROBERTS. The directors are elected by the stockholders. There is a nominating committee of stockholders, who suggest names to be voted for at a meeting held after the annual meeting. I thought your first question was as to how the directors were elected between annual meetings where a vacancy occurs.

The CHAIRMAN. At the regular election.

Mr. ROBERTS. At the regular annual meeting there is a stockholders' committee chosen, who shall nominate directors to serve for the ensuing year.

The CHAIRMAN. How are the president and vice presidents of the Pennsylvania Railroad Co. elected?

Mr. ROBERTS. They are elected by the board.

The CHAIRMAN. I believe Mr. Frick is a director in the Pennsylvania Railroad Co.?

Mr. ROBERTS. He is.

The CHAIRMAN. And Mr. Griscom is a director in the Pennsylvania Railroad Co.?

Mr. ROBERTS. He is.

The CHAIRMAN. When were you elected a director in the Pennsylvania Railroad Co.?

Mr. ROBERTS. Either in October or November, 1907.

The CHAIRMAN. When were you elected a director in the United States Steel Corporation?

Mr. ROBERTS. I was a director in the United States Steel Corporation from the time of its formation until the early summer of 1902, when I resigned. I was reelected a director in November, 1909.

The CHAIRMAN. Mr. Frick was a director in the United States Steel Corporation before he was a director in the Pennsylvania Railroad Co.?

Mr. ROBERTS. I am unable to answer that question.

The CHAIRMAN. He was one of the original directors?

Mr. ROBERTS. No; Mr. Frick, I think, was not an original director in the United States Steel Corporation. He came in some little time after its formation.

The CHAIRMAN. Mr. Griscom was a director in the Pennsylvania Railroad Co. before he became a director in the United States Steel Corporation?

Mr. ROBERTS. He was; yes, sir.

Mr. LINDABURY. Would you ask the witness how many directors each corporation has, the Pennsylvania Railroad Co. and the United States Steel Corporation?

The CHAIRMAN. I will. How many directors has each corporation?

Mr. ROBERTS. I would have to get that; I can not give you that offhand. I am under the impression that the United States Steel

Corporation has 24 directors and the Pennsylvania Railroad Co. about 14. Poor's Manual will give the number of directors in the Pennsylvania Railroad Co., but I think it is 14.

The CHAIRMAN. There are 24 directors in the United States Steel Corporation?

Mr. ROBERTS. I think so.

Mr. LINDABURY. That is correct. I am not sure about the Pennsylvania Railroad Co.

The CHAIRMAN. I believe there are 13.

Mr. LINDABURY. There never would be 13.

The CHAIRMAN. There are 12 in the Pennsylvania Railroad Co.?

Mr. ROBERTS. Subject to correction, I should say that was right.

The CHAIRMAN. William H. Barnes, Thomas De Witt Cuyler, Rudolph Ellis, Lincoln Godfrey, Clement A. Griscom, Charles E. Ingersoll, James McCrea, E. B. Morris, C. S. Patterson, P. Roberts, jr., N. P. Shortridge, George Wood, and Henry C. Frick.

Mr. ROBERTS. You have to add the vice presidents in that list, which will increase the number. The four vice presidents of the Pennsylvania Railroad Co. are also directors.

The CHAIRMAN. Who are they?

Mr. ROBERTS. Mr. Rea is the first vice president, Mr. Thayer, Mr. Atterbury, and Mr. Tatnall.

The CHAIRMAN. Is Mr. Thayer living now?

Mr. ROBERTS. He is the vice president in charge of traffic. You are speaking of the Boston Thayer, probably?

The CHAIRMAN. At what time, did you say, they elected the boards of directors of the United States Steel Corporation and the Pennsylvania Railroad Co.?

Mr. ROBERTS. I did not mention the United States Steel Corporation. The Pennsylvania Railroad Co.'s annual meeting is in the month of March. The Steel Corporation, I think, is in the month of April, the annual meeting.

The CHAIRMAN. How much of the stock of the Cambria and the Pennsylvania Steel companies does the Pennsylvania Railroad Co. own, either directly or through some of its subsidiary companies?

Mr. LINDABURY. May I be allowed to suggest that the resolution only authorizes an investigation between the United States Steel Corporation and the railroads, and not between the Cambria Steel Co. and the railroads?

The CHAIRMAN. It might be a ring within a ring. I do not make any such charge. If the Pennsylvania Railroad Co. has any connection with the United States Steel Corporation, which I do not charge, then any company in control would be brought in with it.

Mr. LINDABURY. I would not feel that I was quite doing my duty if I did not make the point and let it appear in the record.

Mr. ROBERTS. I can not give the figure offhand, but would refer you to the annual reports of the Pennsylvania Railroad Co. where you will find among their list of securities their holdings in the Cambria and Pennsylvania Steel Cos.; their last annual report.

Mr. BARTLETT. That is a matter of public record?

Mr. ROBERTS. Yes, sir.

Mr. BARTLETT. And doubtless can be found in the Interstate Commerce Commission?

Mr. ROBERTS. In the last annual report of the Pennsylvania Railroad Co. for 1910.

The CHAIRMAN. Will you kindly furnish the committee with a copy of the last annual report of the Pennsylvania Railroad Co.?

Mr. ROBERTS. I shall be very glad to do so, sir.

The CHAIRMAN. Is that a substantial majority?

Mr. ROBERTS. I can not answer that question, Mr. Chairman; I really do not know.

The CHAIRMAN. About what time was it that the Pennsylvania Railroad Co. began the purchase of the stocks of the Cambria and Pennsylvania Steel Cos.?

Mr. ROBERTS. I can not answer that definitely. I know it was about the time of the formation of the United States Steel Corporation. I am not a believer in a transportation company having any interest whatever in any commodities which it carries. As a general rule, I think it is a great mistake but, as all general rules have exceptions, I think probably this case is one of the exceptions which proves the rule. At the time of the formation of the United States Steel Corporation there was more or less, I might say, of excitement, and the railroad company in order to protect itself, made those purchases in two rail mills so they could have the output of those mills for their own use if it was found to be necessary. That has not proven so. They are now, to my mind, in the unfortunate position of having these investments and are unable to dispose of them.

The CHAIRMAN. The excitement to which you refer was the threat of Mr. Carnegie and others to build parallel lines to the Pennsylvania Railroad and the effort of Mr. Cassatt to protect himself against this threatened competition by producing his own material to supply his needs as a common carrier?

Mr. ROBERTS. No; I did not refer to that. I do not think that amounted to anything. I refer to the uncertainty in connection with those existing plants which were entirely tributary to the Pennsylvania Railroad. There was some thought that the tonnage might be moved to new places, that the railroad might lose the tonnage of those plants due to its being carried to other and competing roads. It was a matter of self-protection to furnish their own supply of rails when and of the quality they wanted that they made those purchases of stock which had nothing, so far as I know, to do with any threat of competing railroads, because I do not think that was ever a factor.

The CHAIRMAN. What officers or committee of which you are aware of the Pennsylvania Railroad board has charge of the selection of officers, managers, and directors of the two steel companies since the railroad company acquired this stock?

Mr. ROBERTS. That is not a matter that ever has come before the board. I have no knowledge of any such selection.

The CHAIRMAN. Mr. Griscom is a director of the Pennsylvania Railroad Co. and of the United States Steel Corporation?

Mr. ROBERTS. He is.

The CHAIRMAN. The United States Steel Corporation sells materials to the Pennsylvania Railroad Co.?

Mr. ROBERTS. They do.

The CHAIRMAN. Do the directors of the United States Steel Corporation fix the price for which rails should be sold by that corporation?

Mr. ROBERTS. No, sir.

The CHAIRMAN. Has not the board of directors anything to say about the price?

Mr. ROBERTS. I have never heard of the price of steel rails as long as I have been a member of the board of directors of the United States Steel Corporation.

The CHAIRMAN. Are you not the controlling power of the United States Steel Corporation?

Mr. ROBERTS. We are; but the board of directors can not be supposed to enter into the question of the price at which material shall be sold from day to day.

The CHAIRMAN. But from year to year?

Mr. ROBERTS. Or from year to year.

The CHAIRMAN. Have you any control over the prices?

Mr. ROBERTS. We have control legally over all the operations of the corporation, but you have to delegate to those in particular charge of the various departments certain authority in those matters. We know in a general way the price situation, but never has it been determined by the board of directors the actual selling price of any material.

The CHAIRMAN. I do not mean to say that you go into the details; those are left to the experts. I say, you name the people who do it?

Mr. ROBERTS. The board certainly elects the officers of the corporation; yes, sir; but not the sales agent.

The CHAIRMAN. As a director in the Pennsylvania Railroad Co. you have something to say about what you pay for rails and where you buy?

Mr. ROBERTS. But those matters, Mr. Chairman, do not come before the directors. There may be individual directors who may discuss the matter. For instance, I recall once going with Mr. McCrea, the president of the Pennsylvania Railroad Co., to see Judge Gary in regard to the price of steel rails. We questioned the price that they proposed charging for a new specification, and thought it was too high. I went with Mr. McCrea and discussed the matter with Judge Gary, and as a result we obtained a lower price than originally named. Now, a director may come into contact with those matters in that way, but never in a formal way is a price passed upon in either of those corporations that I can recall. For instance, I think I know what is in your mind, if I get it rightly, that probably the board of directors of the Pennsylvania Railroad Co. approve of buying rails at $28 a ton or the board of directors of the Steel Corporation approve of selling rails at $28 a ton. I never knew a case of that kind in either corporation. We do not. The bargaining is done by the officials of those two corporations entirely without respect or reference to the boards of directors. For instance, the purchasing agent of the Pennsylvania Railroad Co. makes purchases throughout a year amounting to some hundreds of millions of dollars for supplies, while the board can not except approve of him as purchasing agent and hold him responsible for his results. We do not know the definite prices nor did the question of the price of rails ever arise in the presence of either of those boards of directors.

The CHAIRMAN. To whom is that purchasing agent responsible?

Mr. ROBERTS. The purchasing agent of the Pennsylvania Railroad Co. is appointed by the president, subject to the confirmation of the board.

The CHAIRMAN. To whom is the president responsible?

Mr. ROBERTS. To the board of directors.

The CHAIRMAN. Now, does the United States Steel Corporation make structural materials, bridges, axles, wheels, and all the various articles of iron and steel that go into the rolling stock?

Mr. ROBERTS. The subsidiary companies of the United States Steel Corporation make all classes of material used by transportation companies.

The CHAIRMAN. How are the prices of those things determined?

Mr. ROBERTS. I presume on the part of the purchasing agent for the Pennsylvania Railroad Co. and by whoever is the selling agent of the individual subsidiary companies on the part of the Steel Corporation.

The CHAIRMAN. Who appoints the selling agents of the subsidiary companies of the United States Steel Corporation?

Mr. ROBERTS. I presume the president of the subsidiary company. I never knew of an appointment or a matter of that kind coming before the board of directors of the Steel Corporation.

The CHAIRMAN. Who ultimately names the presidents of the subsidiary companies?

Mr. ROBERTS. I think very likely the United States Steel Corporation, through probably Judge Gary, would have the suggesting of those names.

The CHAIRMAN. Who is a director and president of the board of directors of the United States Steel Corporation?

Mr. ROBERTS. No; he is chairman of the finance committe and chairman of the board of directors.

The CHAIRMAN. Judge Gary's authority, while delegated to him by the board of directors——

Mr. ROBERTS (interposing). His position is elective by the board.

The CHAIRMAN. How do you fix his authority?

Mr. ROBERTS. By the by-laws.

The CHAIRMAN. Who writes the by-laws?

Mr LINDABURY. I think you have the by-laws and the charter.

The CHAIRMAN. But who first wrote and amends the by-laws?

Mr. ROBERTS. I do not recall offhand, but the board of directors, my recollection is.

Mr. LINDABURY. May I offer you a copy of the by-laws, Mr. Chairman?

The CHAIRMAN. I thank you.

Mr. YOUNG. Are those the by-laws of the Steel Corporation?

Mr. LINDABURY. Yes, sir.

The CHAIRMAN. Just insert that provision in the record.

Mr. LINDABURY. Section 1 of article 6 is as follows:

The board of directors shall have power to make, amend, and repeal the by-laws of the company, by vote of a majority of all of the directors, at any regular or special meeting of the board, provided that notice of intention to make, amend, or repeal the by-laws in whole or in part shall have been given at the next preceding meeting; or without any such notice by a vote of two-thirds of all the directors.

The CHAIRMAN. Do you know the extent of Mr. Griscom's holdings in the United States Steel Corporation?

Mr. ROBERTS. I do not.

The CHAIRMAN. Do you know the extent of his holdings in the Pennsylvania Railroad Co.?

Mr. ROBERTS. I do not.

The CHAIRMAN. Mr. Henry C. Frick also is now acting in this dual capacity?

Mr. ROBERTS. Mr. Frick is a director in the Pennsylvania Railroad Co. and also a director in the United States Steel Corporation.

The CHAIRMAN. Do you know the extent of his holdings in the United States Steel Corporation?

Mr. ROBERTS. I do not.

The CHAIRMAN. Or in the Pennsylvania Railroad Co.?

Mr. ROBERTS. I do not.

The CHAIRMAN. Has any question ever been raised by the officers and directors of the Pennsylvania Railroad Co. as to the propriety of having three of its directors, directors also in the United States Steel Corporation, from which they purchase large quantities of material?

Mr. ROBERTS. I have never heard the question raised. I would also say that if you will refer to the by-laws of the Steel Corporation you will see that no director of the Steel Corporation can vote upon a question or any contract arising between two corporations of which he may be a director. If any question of contract arose between the Pennsylvania Railroad Co. and the United States Steel Corporation, those directors who are common directors in both would have no vote, and it must be carried by a majority without them. The Pennsylvania Railroad Co. has the same provision, so that if at any time any question arose or a matter of contract came up between them and the Steel Corporation, the directors on the board common to both would not have any vote in the matter.

The CHAIRMAN. I think you said that you did not know whether Mr. Stotesbury was a director of the Cambria Co. or not?

Mr. ROBERTS. I do not.

The CHAIRMAN. Is he a director in the Pennsylvania Railroad Co.?

Mr. ROBERTS. He is not.

The CHAIRMAN. You are an engineer, Mr. Roberts?

Mr. ROBERTS. I have been connected with the steel business since 1876, but whether I can give myself the title of engineer I hardly know. I shall have to leave that for others to say.

The CHAIRMAN. Have you ever made any personal investigation to ascertain the actual cost per ton of steel rails and structural steel or in the form of beams fabricated ready for use by the railroad?

Mr. ROBERTS. I have in old times, no doubt, prior to the year 1900, but since that date I have had so little direct connection with those matters that I have done nothing at all in that line.

The CHAIRMAN. Do you know the cost of manufacture by the Cambria or Pennsylvania Steel Co. of their principal product?

Mr. ROBERTS. No, sir.

The CHAIRMAN. And the average of each for the last three years?

Mr. ROBERTS. I know nothing whatever of the prices of either of those concerns.

The CHAIRMAN. Do you know what the Pennsylvania Railroad Co. is now paying for steel rails?

Mr. ROBERTS. If I mistake not, it is in the neighborhood of $32 or $33 a ton at the point of manufacture. You see, that is a little

confusing, from the fact that in speaking of the price of steel rails at $28 a ton you are speaking of the price of Bessemer steel rails. The Pennsylvania Railroad Co. for several years past have used almost exclusively open-hearth steel rails, which are believed to be of a better quality than the Bessemer rail, and they pay for them a higher price than they do for the Bessemer rail; I think about $4 a ton.

The CHAIRMAN. What are you paying for structural-bridge steel?

Mr. ROBERTS. Who?

The CHAIRMAN. The Pennsylvania Railroad Co.

Mr. ROBERTS. I can not answer that question, because you must bear in mind that when you speak of structural steel—I presume you mean fabricated structures?

The CHAIRMAN. Yes, sir. I know the lengths and widths.

Mr. ROBERTS. I suppose you are speaking of the structure ready for erection?

The CHAIRMAN. The bridge material.

Mr. ROBERTS. The component parts of the bridge ready for erection, I understand you to mean?

The CHAIRMAN. Yes, sir.

Mr. ROBERTS. Those will depend in every individual case upon the character of the structure. I do not think I ever knew of any two structures which were quoted at the same price.

Mr. LINDABURY. It depends on the specifications.

Mr. ROBERTS. I do not know of any two bridges of the same price or two structures at the same price. The price per pound will vary entirely with the nature of the structure. No two bridges were ever sold at exactly the same price.

The CHAIRMAN. I simply wanted it approximately.

Mr. ROBERTS. I can not give you any approximate price.

The CHAIRMAN. What amount has been expended in each of the 10 years by the railways operated by the Pennsylvania system, either owned, operated, or affiliated, for steel rails?

Mr. ROBERTS. Speaking only very generally, the tonnage of the Pennsylvania Railroad Co. in steel rails for the past few years has amounted to something over 100,000 tons per annum, which, I think, has covered most of the lines east and west. The Pennsylvania Railroad Co. is operated under two managements, one east and one west of Pittsburg. I think it is in the neighborhood of 130,000 tons of rails per annum. That would be roughly.

The CHAIRMAN. Do you know what would be the tonnage of structural steel?

Mr. ROBERTS. I can not give that. It varies very much with the amount of bridge building which they have to do.

The CHAIRMAN. What relative amounts of these materials are furnished by the Pennsylvania and Cambria companies and what amounts by the United States Steel Corporation?

Mr. ROBERTS. I do not know. The orders are a matter of record. I do not recall what they are, but it is divided up among the different companies. I do not recall just what the tonnage was, but it can be determined.

The CHAIRMAN. Do you know who the accounting officers—the individual names of those—from whom this data could be obtained?

Mr. ROBERTS. I can not. Now let me know what data you want.

The CHAIRMAN. I want to find out the amount that has been expended for each of the past 10 years by all of the railways comprised in the Pennsylvania System, either owned, operated, or affiliated, for steel rails, structural steel, and what proportion of these amounts has been paid to companies other than the Cambria and Pennsylvania Steel Companies.

Mr. LINDABURY. If you desire the shipments of the United States Steel Corporation, we will be glad to furnish them to you in tabulated form.

Mr. ROBERTS. We could give the shipments to the Pennsylvania Railroad Co. If anyone connected with the Pennsylvania Railroad Co. could give it to you, it would be their auditor.

The CHAIRMAN. Do you know who the auditor is now?

Mr. ROBERTS. I do not just recall at this moment his name. I will very gladly furnish it.

Mr. LINDABURY. What you want is a memorandum showing the amount of those various materials furnished year by year by the United States Steel Corporation to the Pennsylvania Railroad Co. or its affiliated lines?

The CHAIRMAN. Yes, sir.

Mr. LINDABURY. We will be glad to do that.

Mr. ROBERTS. That will give only the shipments from the United States Steel Corporation, not their total purchases.

Mr. LINDABURY. We can not do that.

Mr. ROBERTS. I understand that the chairman wanted the total.

Mr. LINDABURY. I am offering to furnish such of the evidence as we have.

The CHAIRMAN. During the last 10 years have there been large fluctuations in the price of structural steel and rails?

Mr. ROBERTS. Yes; in structural steel there have been some fluctuations within reasonable limits. So far as rails are concerned, the price has remained the same.

The CHAIRMAN. Has any question arisen between the two companies as to the price of rails and structural steel?

Mr. ROBERTS. The only question that I know of personally was the one I spoke of a short time ago, in which the Pennsylvania Railroad Co. issued new specifications for steel rails, which was considered to be more severe and required a better grade of material than their former specifications. Upon inquiring for a price from the United States Steel Corporation, the price they named seemed to us too high; and, as I say, I went with Mr. McCrea and discussed the matter with Judge Gary, and as a result they amended their price, which seemed to be entirely satisfactory. I wish to say also that at the time I did that I was a director in the Pennsylvania Railroad Co. and not in the United States Steel Corporation.

The CHAIRMAN. In these transactions between the Pennsylvania Railroad Co. and the United States Steel Corporation, which is the dominant factor in the fixing of prices, does the railroad company say what it will pay, and the United States Steel Corporation gets that price, or does the United States Steel Corporation say what it will sell for and the railroad company pay that price?

Mr. ROBERTS. I can not answer that question definitely, but I am sure that the natural course would be for the railroad company to inquire for prices and for the United States Steel Corporation to

name them. At the same time they would no doubt inquire for prices from others and would decide what price was the most advantageous for the railroad company.

The CHAIRMAN. Does the Pennsylvania Railroad Co. ask for bids when it wants to buy rails, structural material, and steel cars, and receive sealed bids?

Mr. ROBERTS. They do have competitive bids in practically all cases. I say this of my own knowledge, because I happen to be the chairman of the supplies committee of the Pennsylvania Railroad Co., and to that committee the purchasing agent refers a number of matters at times, and we are more or less conversant with his operations. In practically all cases competitive bids are obtained and awarded to the lowest bidder. I might say that in all cases the award is made to the lowest bidder, the conditions being equal.

The CHAIRMAN. The Pennsylvania Railroad extends over a considerable territory?

Mr. ROBERTS. It does, sir.

The CHAIRMAN. Is there any division of territory between the so-called independents and the United States Steel Corporation?

Mr. ROBERTS. You mean division of territory as to what?

The CHAIRMAN. As to the supply of material; the various steel companies being permitted to supply a certain territory and the United States Steel Corporation having a like advantage in other territory?

Mr. ROBERTS. I never heard of it. If one exists, it is a matter I have not the slightest knowledge of. Of course, the railroads, as a rule, take material from the mills along the line of their own road on account of the freight rates. It would not be policy for the Pennsylvania Railroad Co. to take material from a mill not on its own line unless the mill quoted prices equivalent to the other mill, but even then it would not be the best policy to curtail the shipment of material over its own line. As a rule, the railroads generally favor manufacturers along their own line.

Mr. DANFORTH. With reference largely to the point where they want the stuff?

Mr. ROBERTS. Yes, sir. Even when the transportation is over their own lines it is an advantage to take from the nearest mill to the point where the material is required.

Mr. BEALL. How do you explain the fact that there has been no variation in the price of steel rails since 1899?

Mr. ROBERTS. I think the consensus of opinion both on the part of the producers and consumers is that that price is a reasonable price for both parties. I think it was spoken of here yesterday that if you omit two years prior to 1900—that is, 1897 and 1898—you will find that for a period of 10 years prior to that date the price of steel rails averaged $28.09. Now, you must understand that the prosperity of the transporter is dependent entirely upon the prosperity of the shipper. A railroad lives only by reason of the tonnage which it has to transport. It is not good policy on their part to do anything which will affect the general prosperity of the country. Now, if you reduce the price below a reasonable price, it means only one thing, and that is a lack of general prosperity.

Mr. BEALL. Does a railroad company observe the same sort of policy in reference to the purchase of other supplies than steel rails?

Mr. ROBERTS. Yes, sir. I might state positively that it is not the policy of the Pennsylvania Railroad Co., and never has been, to beat prices down below what they consider a reasonable market price. In other words, the policy of the purchasing agent as dictated to him is to accept fair market prices and "do not beat them down."

Mr. BEALL. Is it your proposition that the Pennsylvania Railroad Co., if it had occasion to buy railroad ties, that it would take into consideration the advantage of the prosperity of the man who had the ties to sell?

Mr. ROBERTS. I think they would. They would expect to pay a fair market price.

Mr. BEALL. Would not their policy be to purchase the ties where they could get them cheapest?

Mr. ROBERTS. You are referring to a very special article. The tie question is a very serious one, and is growing more so every year.

Mr. BEALL. Is not that the policy of the Pennsylvania Railroad Co.—to buy the ties where they can buy them the cheapest?

Mr. ROBERTS. No; where they can buy them to the greatest advantage; that is, to conserve the timber along their own lines.

Mr. BEALL. They have a selfish interest?

Mr. ROBERTS. No; it is self-preservation. We are up against the problem to-day of very soon facing the fact that there will not be timber enough in this country to furnish the railroads with ties, and it may be the policy of a road to conserve its own timber and if it can buy even at an additional price timber elsewhere to buy it.

Mr. BEALL. The railroad company uses large quantities of sand and cement and material of that kind?

Mr. ROBERTS. Yes, sir.

Mr. BEALL. And brick? Does it carry this policy that it pursues with reference to rails into the purchasing of everything else?

Mr. ROBERTS. It does. To pay a fair market price and not beat the market down.

Mr. BEALL. Since 1899 has there been any variation in the price of sand?

Mr. ROBERTS. I am unable to give that information.

Mr. BEALL. And cement?

Mr. ROBERTS. Cement has varied very materially.

Mr. BEALL. And brick?

Mr. ROBERTS. It has.

Mr. BEALL. And ties?

Mr. ROBERTS. They have, very constantly; due to their increased scarcity there has been an advance in the price. I think ties to-day are probably worth double the price of 10 years ago.

Mr. BEALL. The variation in the price has been very material?

Mr. ROBERTS. Yes, sir; very material.

Mr. BEALL. Then there has been a variation in the price of practically everything that the railroad companies buy for construction except steel rails?

Mr. ROBERTS. I think that is a correct statement.

Mr. BEALL. The policy that has prevailed with reference to the purchase of steel rails has not operated with reference to the purchase of these other things in the same way?

Mr. ROBERTS. It is very difficult to judge two classes of animals in the same ring at the same time. If you judge steel rails, you have to put that matter in a class by itself, and so with other products. I

do not see that we can bring all classes of products together and compare one with the other unless it is similar.

Mr. BEALL. Why is it that steel rails stand out here by themselves and a different rule is made to apply to them from that which applies to every other product?

Mr. ROBERTS. There are a great many of the other products that have had fluctuations. The number of people engaged in the production may tend to make the fluctuation in price.

Mr. BEALL. The same fluctuation as in steel rails?

Mr. ROBERTS. No, sir.

Mr. BEALL. Has there been the same variation?

Mr. ROBERTS. A man can enter into the production of brick with the expenditure of a very few thousand dollars, and if you want to enter into the production of steel rails to-day you must be prepared to invest anywhere from $50,000,000 to $100,000,000, and that means that the production of steel rails is in a class by itself. I do not believe that there is any commodity at the present time which requires the same expenditure of capital as to enter into any branch of the steel business. Now, that is due entirely to the advanced progress of the art and changes which have taken place in the last 10 or 15 years.

Mr. BEALL. Is it not a fact that prior to 1899, for two or three years at least, there had been very decided fluctuations in the price of steel rails?

Mr. ROBERTS. Not very many; quite reasonable.

Mr. BEALL. Did not they fluctuate from $17 one year up to $28 the next year?

Mr. ROBERTS. The two years, 1897 and 1898, and if those prices had been continued for two years more neither the Carnegie Steel Co. nor the Federal Steel Co. would have been in the hands of their then owners, in my judgment.

Mr. BEALL. You know Mr. Schwab?

Mr. LINDABURY. You interrupted the witness.

Mr. BEALL. Of course, I did not intend to interrupt the answer; complete it.

Mr. ROBERTS. There was a destructive war. Rails were not produced at the price at which they were sold. If you take and omit those two years, as I have stated, for 10 years prior to 1900 the average price would have been $28.09, and if you include those two years at that very low price the average selling price for steel rails for those 10 years would be $26.11.

Mr. BEALL. Let us talk about those two years.

Mr. ROBERTS. Yes, sir.

Mr. BEALL. You know Mr. Schwab?

Mr. ROBERTS. I do.

Mr. BEALL. You are aware of the fact that he testified and wrote a letter at one time saying that he could produce steel rails for $12, was it?

Mr. ROBERTS. We will have to first determine what he means by the word "produce"—what components enter into that word "produce." If it means simply the price of the raw material and the wages paid, that is one question. If he means not only the shop cost, but the maintaining of his plant as a going concern and any

return upon the capital invested, his letter does not correctly represent the situation.

Mr. BEALL. Mr. Carnegie was engaged in the production of steel rails for quite awhile?

Mr. ROBERTS. He was.

Mr. BEALL. Did not Mr. Carnegie testify two years ago before the Ways and Means Committee that during that time he sold rails at $16 and made a profit?

Mr. ROBERTS. Did Mr. Carnegie give the elements of his cost?

Mr. BEALL. And he made the statement that he could produce steel rails at $16 and make $1 per ton.

Mr. ROBERTS. I still would like to see the cost of Mr. Carnegie itemized; I do not believe he did.

Mr. BEALL. I am not in a position to test the matter. I am not sure; but I am sure of this, that Mr. Carnegie repeatedly stated in that hearing that at that time he could make steel rails and sell them for $16 a ton and make a profit.

Mr. ROBERTS. I would want an itemized statement before I would accept that statement in order to understand what Mr. Carnegie means by cost.

Mr. BEALL. They did sell down to $16 or $17 during those years?

Mr. ROBERTS. They did; probably lower in some cases, I think.

Mr. BEALL. Well, take a company that was capitalized for what it was really worth and had no large indebtedness, that owned its own ores, as the Carnegie Co. did at that time, would you think it possible for that company to have made steel rails in 1896, 1897, and 1898, along there, at $15 a ton?

Mr. ROBERTS. I do not believe it was possible for any concern in America to manufacture steel rails at the price you have mentioned, and to have made any profit if they included in their cost a return on the capital invested, and set aside a sufficient amount to maintain depreciation and to keep their concern as a going concern in accordance with the most advanced state of the art.

Mr. BEALL. In your judgment, how much would the items you have enumerated add to the cost of steel rails per ton?

Mr. ROBERTS. I am of the opinion that you will not come very far out by allowing 10 per cent per annum for depreciation on the cost of your plant. In addition to that you must set aside for depreciation and for the extinction of the raw material.

Mr. BEALL. Taking all those things into consideration, in a well-equipped plant how much should those items add to the cost of a ton of rails?

Mr. ROBERTS. It would depend entirely upon the cost of your plant, because they are expressed in percentages.

Mr. BEALL. Take any well-equipped plant, such as existed in 1896, 1897, and 1898.

Mr. ROBERTS. I can not answer the question without knowing the amount of capital invested.

Mr. BEALL. Approximately?

Mr. ROBERTS. No, sir.

Mr. BEALL. If Mr. Schwab is right in saying that the cost of raw material and the labor and all of those elements that go directly into the manufacture of rails would not cost $12 a ton, how much do you

think should be added to the $12 in order to cover all of the elements that you have mentioned?

Mr. ROBERTS. I can not answer that question, sir, from the fact that I do not know at all, in supposing a case of that kind, how much capital is invested in raw material. A man may have an ore property that cost him $100 an acre and his neighbor may have equal ore that cost him $1,000.

Mr. BEALL. Well, take into consideration the cost of the ore?

Mr. ROBERTS. I do not agree that Mr. Schwab took into consideration any depreciation cost whatever. Until I see a detailed statement of how Mr. Schwab made up his cost at that time I will not accept it, so far as it goes.

Mr. BEALL. Have you never seen Mr. Schwab's letter?

Mr. ROBERTS. I think at the time I saw his letter. Now, a man may say that it costs him so much a year to run a motor car, and he runs his motor car for a year or two years and at the end his car wears out. He has set nothing aside for depreciation, and yet he says that all it has cost him to run the motor car has been the cost of the chauffeur and labor and repairs, but in the end he has no motor car. If you do not have a depreciation account, where are you in the long run?

Mr. BEALL. Did not Mr. Schwab consider the price of the ore that went into the ton of steel rails?

Mr. ROBERTS. I do not know.

Mr. BEALL. Suppose he made a reasonable estimate?

Mr. ROBERTS. I would have to see it in detailed figures.

Mr. BEALL. He says that the price of steel rails went from $17 to $28. How do you account for that?

Mr. ROBERTS. An agreement on the part of the rail manufacturers to fix the price; they formed a pool.

Mr. BEALL. The rail makers formed a pool and fixed the price at $28?

Mr. ROBERTS. They fixed the price. I will give it to you exactly, I think. They fixed the price. The average price for that year, 1899, was $28.12; but that fluctuated. I think it went up to thirty-two dollars and something.

Mr. BEALL. Was not the price paid them fixed through a rail makers' pool?

Mr. ROBERTS. It was fixed through a rail makers' pool, as the result of that destructive competition.

Mr. BEALL. Until that rail makers' pool was formed there had been violent fluctuations in the prices of rails?

Mr. ROBERTS. There had been a pool prior to that, and the breaking up of the prior pool was what caused the destructive competition in 1897 and 1898.

Mr. BEALL. Up to 1899, when there had been no rail makers' pool, there had been——

Mr. ROBERTS. No, no. There had been rail makers' pools prior.

Mr. BEALL. I say, during the time when there was no rail makers' pool there were fluctuations?

Mr. ROBERTS. There was destructive competition.

Mr. BEALL. There was destructive competition that resulted in violent fluctuations in the prices of rails?

Mr. ROBERTS. There was.

Mr. BEALL. And those fluctuations were downward to a very large degree, were they not?

Mr. ROBERTS. No; the price simply fell. When the pool broke up the prices had been dropped to those very low figures.

Mr. BEALL. I understand that prior to 1896 there had been a rail makers' pool that had kept the prices up. The pool was dissolved about that time, and for two or three years following, when the pool did not exist, there was a constant downward tendency in the prices of steel rails. About 1898 or 1899 that rail makers' pool was reestablished, and a higher level of prices established and maintained. Is that substantially an accurate statement?

Mr. ROBERTS. I do not think it would be correct to say that there was a gradual drop after the breaking up of the pool which existed prior to 1897. I think that the drop was violent.

Mr. BEALL. I will adopt your word. There was a violent drop in prices; and when the pool was reestablished there was a very substantial increase in prices?

Mr. ROBERTS. That is correct.

Mr. BEALL. And while that pool continued, in 1899 and 1900, that price was maintained?

Mr. ROBERTS. I do not think—I am only stating hearsay, because I was not a member of it and know nothing of it except from hearsay—I do not think it continued as long as 1900.

Mr. BEALL. Prior to 1900, when you had a pool, the prices of rails were fairly stable, and when you did not have a pool there was a violent decline in the prices?

Mr. LINDABURY. The examiner probably ought not to use the word "you." The witness was not in the business, and he was not a member of the pool.

Mr. BEALL. You were not in the business?

Mr. ROBERTS. I was not a rail maker.

Mr. BEALL. You were not a rail maker at that time?

Mr. ROBERTS. I was not a rail maker, and never was.

Mr. BEALL. Since 1900, for some reason, in some way, that price that was originally fixed by the railway pool about 1899 has been maintained?

Mr. ROBERTS. No, sir; I do not think that was the price.

Mr. BEALL. Well, substantially the price?

Mr. ROBERTS. No; I do not think so.

Mr. BEALL. To what extent does it differ?

Mr. ROBERTS. Because in 1899 the price of steel rails averaged $32.29 a ton.

Mr. BEALL. The price averaged $32?

Mr. ROBERTS. Yes.

Mr. BEALL. When did it come down to $28?

Mr. ROBERTS. I have not that data at hand.

Mr. BEALL. I will ask if Judge Gary did not say in his testimony before the Ways and Means Committee that in 1899 the price of rails became fixed at $28 and that they had remained at that price since?

Mr. ROBERTS. I can give you this, quoting from "Statistics of the American and Foreign Iron Trades for 1900. Annual Statistical Report of the American Iron and Steel Association," dated 1901. The average price for the year 1900 was $32.29. For 1899 it was $28.12.

Mr. BEALL. The average price in the United States?

Mr. ROBERTS. That refers to the "Production and prices of Bessemer steel rails." It says:

The following table gives the annual production in gross tons of Bessemer steel rails in the United States from 1867 to 1900, together with their average annual price at works in Pennsylvania.

Mr. BEALL. That $32 included the value of open-hearth rails, also?

Mr. ROBERTS. Open-hearth rails were not made at that date. That is Bessemer rails.

Mr. BEALL. Does that table from which you are reading refer to the average mill price or at the point of delivery?

Mr. ROBERTS. The average annual price at works in Pennsylvania.

Mr. BEALL. Do you know anything about the American Iron and Steel Association, of 261 South Fourth Street, Philadelphia?

Mr. ROBERTS. That is the organization whose publication I have been quoting from.

Mr. BEALL. Here, in the hearings before the Committee on Rules of the House of Representatives on House resolution No. 39, to investigate violations of the antitrust act of 1890, there is an Exhibit C that refers to page 106 of the Statistics of the American and Foreign Iron Trades for 1897, published in 1908 by the American Iron and Steel Association, 261 South Fourth Street, Philadelphia, Pa. That purports to give the production and prices of Bessemer steel rails in the United States from 1897 to 1907. In 1897 the price is given as $18.75. Does that agree with yours?

Mr. ROBERTS. It does.

Mr. BEALL. In 1898 the price is given at $17.62.

Mr. ROBERTS. That is the same.

Mr. BEALL. In 1909 it is given as $28.12.

Mr. ROBERTS. 1899.

Mr. BEALL. 1899, $28.12?

Mr. ROBERTS. That is right.

Mr. BEALL. 1900, $32.29.

Mr. ROBERTS. That is correct.

Mr. BEALL. In 1901——

Mr. ROBERTS. I have not that. The volume I have here is of 1901. These are issued annually.

Mr. BEALL. 1901, $27.33. Is that in yours?

Mr. ROBERTS. No, sir; mine does not go beyond 1900.

Mr. BEALL. The year you have mentioned, of 1900, is an exceptional year. The year before that it was $28.12 and the year after that, $27.33; and for 1902, 1903, 1904, 1905, 1906, and 1907 the prices have remained at $28 per ton. Now, the same railroads are in existence now, purchasing——

Mr. BARTLETT. Will you ask the witness what is the mill cost of producing a ton of steel rails? What are the figures as to the mill cost of producing a ton of steel rails?

Mr. BEALL. What does a ton of steel rails cost now, taking into consideration every element that ought to be taken into consideration in estimating that price?

Mr. BARTLETT. The mill cost.

Mr. BEALL. The mill cost, first.

Mr. ROBERTS. By "mill cost"——
Mr. BARTLETT. You know what we mean, do you not?
Mr. ROBERTS. By "mill cost" what am I to understand?
Mr. BARTLETT. Do you not know what "mill cost" is?
Mr. ROBERTS. No, sir; I do not.
Mr. BARTLETT. As I understand, "mill cost" is the cost of production, not taking into consideration the investment or interest on the investment.
Mr. ROBERTS. Oh! Or depreciation. Just the actual cost of material and labor?
Mr. BARTLETT. I thought you knew. I thought you were an expert. That is what I understand it to be. I do not know.
Mr. ROBERTS. I would consider the mill cost——
Mr. BEALL. Give that first.
Mr. ROBERTS. I would consider the mill cost to be——
Mr. BARTLETT. Not what it is. Just the figures.
Mr. ROBERTS. Oh, I can not give you that.
Mr. BEALL. You can not give an estimate as to what the actual cost would be of producing a ton of rails?
Mr. ROBERTS. No; I could not.
Mr. BARTLETT. The reason I asked that question was that Mr. Schwab said that $12 a ton was the mill cost in 1899.
Mr. LINDABURY. Judge Gary, you know, gave you the mill cost. Twenty-two dollars and something a ton is the mill cost. Of course, you are not bound by his statement.
Mr. BARTLETT. I thought this witness might be able to give it.
Mr. ROBERTS. I can not do it, because it would be different in every plant, and I have not access to any figures which would enable me to do it, other than, of course, as the corporation may have them.
Mr. BEALL. Why did not the railroads in 1897 and 1898 pay $28 a ton for steel rails?
Mr. ROBERTS. Why did they not?
Mr. BEALL. Yes.
Mr. ROBERTS. Because they were not asked to pay that price.
Mr. BEALL. Because they could get them cheaper?
Mr. ROBERTS. Because they could get them cheaper. Correct.
Mr. BEALL. Would not the same interest prompt them to get them cheaper if they could?
Mr. ROBERTS. No; I do not think it would.
Mr. BEALL. What sort of a change has come over the railroads since 1897 and 1898?
Mr. ROBERTS. A great many changes have come over the railroads since 1897 and 1898.
Mr. BEALL. Is it the same spirit of philanthropy operating on them that prompted the United States Steel Corporation to purchase the Tennessee Coal & Iron Co., to avert a panic?
Mr. LINDABURY. I object to that question. It seems to me it is outside of the record. It seems to me it is a reflection upon the witness.
Mr. BEALL. I do not intend any reflection on the witness.
Mr. ROBERTS. I do not believe that philanthropy enters into business at all.
Mr. BEALL. That is what I think.
Mr. ROBERTS. I do not think it enters into it at all.

Mr. BEALL. I think your railroad company ought to buy its rails just as cheap as it can.

Mr. ROBERTS. Yes; but our railroad company thinks it is a great deal better to keep a concern tributary to that road in successful operation and running full than to have an idle wreck with no output and no tonnage to be obtained from it.

Mr. BEALL. The Pennsylvania Railroad Co. existed in 1896 and 1897?

Mr. ROBERTS. Yes; and it exists to-day.

Mr. BEALL. That same spirit did not animate them then?

Mr. LINDABURY. I submit that arguments between the examiner and the witness are unseemly and not within the scope of this investigation. We have had nothing else here for half an hour, and I protest against it.

Mr. BEALL. I am willing to submit to the committee whether it is unseemly or not. I do not care to accept the judgment of counsel.

The CHAIRMAN. I think counsel has a right to object to the question. I do not think he would have a right to comment upon the conduct of the examiner.

Mr. LINDABURY. I have objected, and have stated my reasons, and I want them understood.

The CHAIRMAN. The Chair must say that the committee can not tolerate anything in the nature of a reprimand from anybody. I hope the gentleman does not intend his remarks in that way.

Mr. LINDABURY. It is not intended as a reprimand. It is intended as a calm and very conservative statement of the reasons which underlie the objection.

Mr. BARTLETT. Mr. Chairman, counsel have a right to appear, of course, to represent parties or to represent witnesses. If questions are objectionable the witness can make objection under our rules. We have not enforced the rules that the committee adopted, but if there is a repetition of this sort of objection I shall myself submit to the committee that we adhere to the rule technically and strictly.

The CHAIRMAN. I may say to counsel that the rule under which this committee is proceeding, although we have not adhered to it closely, is that any witness appearing before this committee has a right to the advice of counsel. If he objects to answering any question he may consult with his counsel before answering, and counsel may then, in writing, state to the committee why he objects to answering, and the committee will consider that objection. In order to expedite matters we have permitted counsel to object orally, and even to object, where the witness himself showed no tendency to object. That privilege is permitted only on the assumption that it will not be abused; and I will say that if there is any effort on the part of counsel not only to object to the form of questions, but to the manner and conduct of the examiner, the chairman will be forced to very rigidly enforce that rule. Proceed, Mr. Beall.

Mr. BEALL. I have no objection in the world to counsel making any objection that he sees fit. Then, I think, it is really for the committee to decide whether the objection shall be sustained or overruled.

The CHAIRMAN. The objection is overruled. Proceed.

Mr. BEALL. I will ask the stenographer to read my question.

(The stenographer read as follows:)

Mr. BEALL. Is it the same spirit of philanthropy operating on them that prompted the United States Steel Corporation to purchase the Tennessee Coal & Iron Co., to avert a panic?

The CHAIRMAN. I would suggest that you put it in a different form.

Mr. BEALL. I think I did change it afterwards.

(By direction the stenographer read the last question put by Mr. Beall, as follows:)

Mr. BEALL. That same spirit did not animate them then?

Mr. BEALL. That question relates to the period of 1896, 1897, and 1898, when the Pennsylvania Railroad Co. was in existence and was purchasing these same articles.

Mr. ROBERTS. What is the question?

Mr. BEALL. And they were then willing to accept them at the lowest prices at which they could obtain them?

Mr. ROBERTS. I do not get your question. I think——

Mr. BEALL. In 1896, 1897, and 1898 the Pennsylvania Railroad Co. existed then?

Mr. ROBERTS. That is correct.

Mr. BEALL. That is correct?

Mr. ROBERTS. That is correct, sir.

Mr. BEALL. And they made these purchases at that time of your steel rails that they bought, at the lowest market price at which they could get them?

Mr. ROBERTS. That is correct.

Mr. BEALL. Is not that the fact?

Mr. ROBERTS. Correct.

Mr. BEALL. Why was it that the same policy did not animate them then that animates them now, to take into consideration the welfare of those who were making steel rails, and complaisantly agree to pay them the $28 a ton?

Mr. ROBERTS. I see no change in the policy whatever. They paid the price then at which the rails were quoted to them, and they are paying to-day the price at which the rails are quoted to them.

Mr. BEALL. Why is it that, at least since 1902, the price of steel rails has been fixed at $28, without any variation, so far as I can ascertain, and the price of everything else has varied from time to time?

Mr. ROBERTS. If you will consider what changes there have been in the past you will find that over periods of longer or shorter duration prices have remained practically the same, conditions remaining the same.

Mr. BEALL. Can you find——

Mr. ROBERTS. That is the only answer I can give you—that conditions have remained very similar during those years, and that has been the price. It does not seem to be an unreasonable price. It is not burdensome to the consumer, and the consumer has accepted it as the price quoted, and is willing to pay it.

Mr. BEALL. Can you find any other period prior to 1897 when the price of steel rails remained for so long as eight or nine years without the slightest fluctuation?

Mr. ROBERTS. I do not think there has ever been a period of that duration, but there were periods of greater or shorter duration, de-

pending entirely upon the conditions which existed from time to time, and prices during those times remained more or less on the same plane, or the same identical price.

Mr. BEALL. Did you not state just a few minutes ago that prior to 1897 there was stability of prices which came as a result of the rail pool, and that when that pool was dissolved the prices slumped?

Mr. ROBERTS. No; I did not say that. I said as a result of the coming together the manufacturers' prices were raised, and that upon the dissolution of those combinations the prices dropped violently.

Mr. BEALL. Can you name any single year prior to 1897 when steel rails remained at the same price for as much as one year when there was not a steel-rail pool in operation?

Mr. ROBERTS. I can not answer that question without referring to exact details.

Mr. BEALL. And is it not a fact that when that rail pool did not exist there was a constant downward tendency of prices, and a fluctuation of prices?

Mr. ROBERTS. No; there was not a constant reduction in prices. There were very violent fluctuations in prices.

Mr. BEALL. When that rail pool did not exist?

Mr. ROBERTS. As a result of the dissolution of those combinations there were very violent fluctuations and minimum prices.

Mr. BEALL. The United States Steel Co. was organized in 1901?

Mr. ROBERTS. 1901.

Mr. BEALL. In 1902 the price of steel rails became fixed at $28 and remained there until the present date?

Mr. ROBERTS. The price of rails became $28, and the price has remained $28 since that date.

Mr. BEALL. Since 1902?

Mr. ROBERTS. I do not know the exact date at which the price became $28.

Mr. BEALL. You mentioned some time ago something about a structural steel pool——

Mr. LINDABURY. May I ask if Mr. Gayley will be excused for the rest of the day? You will not take up his examination again to-day when you get through with the present witness. You will probably not wish to resume his examination again to-day, will you?

Mr. YOUNG. It makes no difference to me. I would like to have him leave that book.

Mr. GAYLEY. I am going to leave that with the stenographer, to make certain extracts from.

Mr. LINDABURY. Mr. Gayley would like to take the half past 5 o'clock train. You will not take up his examination after 5 o'clock, will you?

Mr. YOUNG. No.

Mr. LINDABURY. Thank you very much.

Mr. GARDNER. Is Tuesday settled on as the day of our next meeting?

The CHAIRMAN. Yes.

Mr. BEALL. In answer to a question by Mr. Stanley, you stated some time ago that the structural steel pool operated at intervals up to about 1900. Is that corect?

Mr. ROBERTS. I think that is corect.

Mr. BEALL. And that there was also a pool or arrangement between the makers of plates and billets and rails that operated up to about that time in the same way?

Mr. ROBERTS. There were separate arrangements between the makers of rails; also arrangements between the makers of billets and between the makers of plates.

Mr. BEALL. Yes.

Mr. ROBERTS. Not combined.

Mr. BEALL. I understand.

Mr. ROBERTS. A separate arrangement.

Mr. BEALL. The makers of each one of these products had a separate arrangement?

Mr. ROBERTS. That is correct.

Mr. BEALL. I also understood that at times these pools would be more or less dissolved.

Mr. ROBERTS. That is correct.

Mr. BEALL. And that when they were not in operation there would be fluctuations in the prices, and a downward tendency of prices?

Mr. ROBERTS. Prices would drop violently.

Mr. BEALL. Prices would drop violently. Whenever these pools ceased to operate, the law of competition then began to apply?

Mr. ROBERTS. I think I will decline to answer that.

Mr. BEALL. Why?

Mr. BOLLING. Counsel will state the objection of the witness. Would you rather have me state it in writing?

The CHAIRMAN. No; state it orally.

Mr. BOLLING. It seems to me that the examiner is characterizing the facts. The witness has stated the facts, and I do not think any witness should be compelled to accept any one else's characterization of them.

Mr. BEALL. I will change it in this way: With these pools eliminated, what other elements were in operation affecting the prices of commodities?

Mr. ROBERTS. War.

Mr. BEALL. That is another name for competition, is it not?

Mr. ROBERTS. Not necessarily.

Mr. BEALL. What distinction do you draw?

Mr. ROBERTS. Competition is one of the weapons of warfare.

Mr. BEALL. All right. Well, now, when these pools were not operating, then competition—that is, one of the weapons of warfare—became more or less operative?

Mr. ROBERTS. Destructive competition did; yes.

Mr. BEALL. Destructive competition became operative. When these pools were reestablished prices went up, and there became a stability of prices?

Mr. ROBERTS. Prices were more stable during the operation of those arrangements.

Mr. BEALL. Up to 1900 you could not keep the prices up without some sort of a pool between the makers of these different articles, could you?

Mr. ROBERTS. Yes. At times prices rose, due to the demand increasing very materially. As a rule, troubles came during times of depression, when there was not sufficient business to go around and

everyone was struggling to obtain enough to run full at the expense of his competitors.

Mr. BEALL. During this period——

Mr. ROBERTS. I am quite safe in saying that many times when business became very good the agreements ceased to exist. They were very largely the outcome of conditions when production went beyond the demand.

Mr. BEALL. Now, I understand that when the demand was active, equaling production, it was not necessary to have these pools in order to maintain prices?

Mr. ROBERTS. I think that is correct.

Mr. BEALL. But when business became slack and the supply began to exceed the demand, then, in order to keep up prices, you had to resort to this arrangement of a pool?

Mr. ROBERTS. You understand that those agreements which I have referred to were principally for the purpose of distributing percentages of output. There was nothing in them which prevented a man from selling at what he pleased.

Mr. BEALL. Yes; but——

Mr. ROBERTS. His allotment was such a percentage of the total.

Mr. BEALL. But that——

Mr. ROBERTS. That tended to steady prices.

Mr. BEALL. And it had the effect of increasing prices?

Mr. ROBERTS. And the moment you steady prices prices will return to a normal, reasonable amount.

Mr. BEALL. And in order to steady these prices you had to parcel out, giving to each man a certain percentage of the business?

Mr. ROBERTS. Correct.

Mr. BEALL. And that was one of the ways, or the chief way, in which the pool operated. Now, since 1900 there have been periods of depression in business, have there not?

Mr. ROBERTS. Yes. I do not think any, though, for so long a period, or probably as severe as occurred before the year 1900.

Mr. BEALL. But there have been depressions of varying degrees of intensity since 1900?

Mr. ROBERTS. Well, nothing to compare with those prior to 1900.

Mr. BEALL. Since 1900 you have not had any of this destructive competition that resulted in a violent decline in prices?

Mr. ROBERTS. We have not had any destructive competition since 1900 which was comparable with that which we had prior to that date.

Mr. BEALL. How do you account for that?

Mr. ROBERTS. Due to change of conditions and the introduction of the law of reason.

Mr. BEALL. I would like you to define that "law of reason." What do you mean by the "law of reason"?

Mr. ROBERTS. Well, it is a large subject and one that is very difficult to put into a few words; but I think in the first place reason eliminate extremes, and if we follow the law of reason our conduct will be along reasonable lines. Now, "reasonable," in my mind, is no definite fixed point, but is a line of some extent having termini, and actions and operations between those termini may be considered

reasonable. Without those termini they may be considered unreasonable.

Mr. BEALL. Did that law of reason——

Mr. ROBERTS. I do not believe that any two men may possibly agree upon what is reasonable and what is unreasonable. They may have different views, and that, I think, is one of the greatest difficulties in applying the law of reason to our business troubles of to-day. We are not all of us agreed as to what is reasonable and what is unreasonable, simply because we may have different units of measurement. That, in a few words, is, I believe, all I can say to you, sir, in answer to the question.

Mr. BEALL. Did that law of reason have existence prior to 1900?

Mr. ROBERTS. Undoubtedly it did.

Mr. BEALL. Was it in operation?

Mr. ROBERTS. More or less.

Mr. BEALL. Has it been in operation since 1900?

Mr. ROBERTS. It has to a greater extent, I think, than before that date.

Mr. BEALL. I am curious to know what are the changed conditions that you have mentioned that have brought into operation this law of reason that were not so effective prior to 1900.

Mr. ROBERTS. I think in this country we probably all look at matters, for the last 10 years—both those in public and those in private life—differently from what we did prior to the commencement of this century. It is not a matter that has anything whatever to do with consolidations or changes in the form of business, but I for one (and probably a good many others of you gentlemen) was brought up in an age in this country when we looked upon competition as a warfare; and I think we have all changed our views in that respect very materially. The railroads of the country were developed under absolutely destructive competition, and as a result you see the changed conditions of to-day. Competition is completely eliminated. Producer and consumer are both protected. That is the only answer I think I can give you to that.

The CHAIRMAN. Mr. Roberts, this changed condition, this application of the law of reason, this elimination of competition, destructive in its nature, and this convention by which each fellow gets his share, applies to great concerns like the railroads, manufacturers of steel rails, structural steel, and other industries in which millions are involved; but the old law of competition, each fellow being forced to make a thing a little cheaper than some other fellow to get a purchaser, or to work a little better than some other fellow to get an employer, still applies to the vast mass of humanity, does it not?

Mr. ROBERTS. Competition, I believe, still exists in all lines of trade, either small or great. I believe to-day, in the steel trade, free competition, reasonable competition, exists to the fullest extent, but I do not believe that destructive competition is good for the little fellow or good for the big fellow. It is dangerous and evil for both of them alike.

The CHAIRMAN. I did not make myself clear, I fear, Mr. Roberts. I am not speaking now of the ethics of competition, but of its existence. That condition of which you speak, and which you so ably defined, applies, as I understand it, to these great concerns which

you have mentioned; but does it apply and does it exist—whether it ought or ought not to exist is not the question—but does it exist with the vast mass of small tradesmen and laborers in this country?

Mr. ROBERTS. I understand your question to be: Does free competition exist to-day among small concerns?

The CHAIRMAN. Yes.

Mr. ROBERTS. I believe that free competition does exist between the small concerns, and in many cases destructive competition exists among the small concerns to their detriment. If the destructive competition was eliminated, and free competition, reasonable competition, existed they would be better off in those cases where destructive competition now exists.

The CHAIRMAN. Is there any way to prevent destructive competition except by organization among the people who wish to protect themselves against destructive competition?

Mr. ROBERTS. I do not think that organization is necessary; nor do I see that it plays any part; nor do I know of any organization to-day in the steel trade—speaking particularly of that—that has or plays any part in regard to that matter.

The CHAIRMAN. Again I do not speak with sufficient accuracy. Is it possible for these great concerns to prevent destructive competition, except by some form of mutual understanding for the mutual good and common defense of the persons entering into this understanding? There must be some understanding before there can be concurrence of action?

Mr. ROBERTS. I believe it is the application of good common American sense.

The CHAIRMAN. If I want to apply common sense to you, or if you want to apply common sense to me, if we want to live under the rule of reason, as you put it, there must be somebody to state the rule and somebody to concur in the rule, and all to abide by the rule, must there not?

Mr. ROBERTS. No; I think we would sit down and have a good confidential talk about it.

The CHAIRMAN. Yes. Then I will use the word "conference" instead of "organization." What I mean is that there must be some meeting of minds, some mutual understanding, before there can be common or concurrent action among a vast number of people, separated by thousands of miles.

Mr. ROBERTS. No; I think example has a good deal to do with affairs in this world. We probably all of us have in our minds some one else that we would think was good and sensible, and living a good, proper life; and we would more or less think it was good policy to pattern our own actions after the actions of others.

The CHAIRMAN. Is there to-day in the commercial world, in the financial world, some one man of vast interests and infinite power, whose example is, in that way, a law to the rest of his confrères associated with him more or less directly in business?

Mr. ROBERTS. No. I think that there are certain ideals which govern very largely the actions of us all, and that ideal may be more or less personified in some individual.

The CHAIRMAN. Is there such an ideal and such a personification in America?

Mr. ROBERTS. To a greater or less extent; yes.

The CHAIRMAN. Where does he exist?
Mr. ROBERTS. I think his name is legion.
The CHAIRMAN. Can you follow the example of a legion?
Mr. ROBERTS. Yes.
The CHAIRMAN. Can you have a legion without organization?
Mr. ROBERTS. Perfectly.
The CHAIRMAN. Is there any way by which you can just find scattered men here, there, and everywhere, and follow their example to the point of establishing a stable price for a commodity?
Mr. ROBERTS. I think that is the hope in the future of this country of ours; and if we destroy individualism we are going to get into trouble.
The CHAIRMAN. I agree with you there. I am an individualist, absolutely.
Mr. BEALL. Who is the example in the steel industry that is followed?
Mr. ROBERTS. There would be no one name.
The CHAIRMAN. Is there not a potent factor, Mr. Roberts, just between you and me, whose example the business men of the world feel inclined to follow on account of his immense, startling grasp of modern conditions; whose touch is potential in the railroad business, in the manufacturing of steel, in the establishment of banks, and extends with greater or less force to all the multifarious ramifications of business in the United States, and who can not only frame conditions, but change them by pushing a button?
Mr. ROBERTS. I suppose, of course, I have in mind one person (and probably all others in this room do not far disagree with me)——
The CHAIRMAN. How is that?
Mr. ROBERTS. I say, I suppose I have in my mind whom you mean.
The CHAIRMAN. Possibly.
Mr. ROBERTS. And also probably the other gentlemen in the room understand it in the same way I do. Without mentioning names, because I think the name means nothing——
The CHAIRMAN. Certainly.
Mr. ROBERTS. I think anyone you refer to in those words, whatever there may be in his actions for good, for the upbuilding of the country, for the bettering of those that live in it—he holds the position which he does, and he only holds it, irrespective of any name he may have, by reason of those qualities; and without those qualities, if it was for evil, if it was for wrecking the industries of the country, no man, no matter what his name, would hold that position. It is the ideal. It is what he does, and not who he is.
The CHAIRMAN. And that example, that ideal, that force——
Mr. ROBERTS. Is what makes this country what it is to-day, no matter where you find it, whether in New York, in Chicago, or in a country town. No matter where it is, it is going to keep us out of trouble.
The CHAIRMAN. For that matter, it may be across the water; but that force, whatever it is, named by whatever name you choose to call it, is really, in your opinion, the guiding factor, the great, noble, all-to-be-admired leadership that has abolished destructive competition and produced this harmony of thought and this amicable relation between hitherto jarring and competing businesses?
Mr. ROBERTS. I do not think it is the result of any one man.

The CHAIRMAN. How many men would you say have produced it, in the industrial world? Are there a dozen?

Mr. ROBERTS. Well, a great many more than that. I think it starts at the very bottom.

The CHAIRMAN. I will ask you one other question, Mr. Roberts. Is it not true that another thing has produced this amicable adjustment of hitherto complicated conditions? There is a unity in the way of interest, in a great many instances. Take it in steel rails. There is a unity between the manufacturer and the purchaser. Take the Pennsylvania Railroad Co. You not only have to look to the best interest of your railroad, but you have to look to the best interest of those vast concerns—the Cambria Steel Co. and the Lackawanna Steel Co.—do you not?

Mr. ROBERTS. The Lackawanna? I have no interest in the Lackawanna.

The CHAIRMAN. The Cambria and the Pennsylvania?

Mr. ROBERTS. I have no connection with it.

The CHAIRAMN. I mean the Cambria and the Pennsylvania.

Mr. ROBERTS. I have no interest with those.

The CHAIRMAN. Well, the Cambria and the Pennsylvania are in a way identified with and interested in the Pennsylvania Railway, are they not?

Mr. ROBERTS. Through stock ownership.

The CHAIRMAN. You have to look to a fair return upon the stocks of the Cambria and Pennsylvania, as well as upon those of the Pennsylvania Railroad, do you not?

Mr. ROBERTS. No. I should feel under no obligations whatever as to either the Cambria Steel Co. or the Pennsylvania Steel Co.

The CHAIRMAN. You spoke of the fact that you would hate to see those companies dismantled and become useless?

Mr. ROBERTS. No; I did not mention any names.

The CHAIRMAN. But if you have interlacing stock ownership you are bound to have intercorrelated and indissoluble interests, are you not?

Mr. ROBERTS. I should regret to see any industry along the line of the Pennsylvania Railroad injured in any way.

The CHAIRMAN. But where there is common-stock ownership there must be common interest, as I see it. You can not have one without the other.

Mr. ROBERTS. To the extent of the ownership in the stock, undoubtedly.

The CHAIRMAN. If the railroad can, by a liberal policy in the purchase of its rails, prevent these vast concerns from doing business at a loss and still make a profit itself, it is better for the railroad to do that than to use any influence whatever to inaugurate a destructive competition between the rail makers, which would end, possibly, in the destruction of these two rail-making concerns, would it not?

Mr. ROBERTS. I should not use the words "liberal price." I should use the words "reasonable price."

The CHAIRMAN. "Reasonable." I will adopt that. I am not a stickler for terms.

Mr. ROBERTS. General prosperity is to the advantage of the railroad.

The CHAIRMAN. Now, the cost of its running stock—the cost of its maintenance, the cost of operating the Pennsylvania Railroad—is the thing which determines its tariff rates, is it not?

Mr. ROBERTS. Not altogether. The amount of traffic will play an important part in regard to that.

The CHAIRMAN. What I mean is this: When you go before the Interstate Commerce Commission the rate is there determined by what is a fair profit to the railroad company—a fair income from its investment—is it not; and also the amount of money which it is necessary to expend?

Mr. ROBERTS. A fair return on the capital invested; and also sufficient to keep it as a going concern.

The CHAIRMAN. That is fixed by law, is it not?

Mr. ROBERTS. No; I do not know that it is.

The CHAIRMAN. Does not the Interstate Commerce Commission say what you shall charge per mile to carry a passenger?

Mr. ROBERTS. Oh, I thought you meant what the return on the capital invested should be.

The CHAIRMAN. I mean, your tariff rates are fixed by law.

Mr. ROBERTS. The rates are absolutely in the hands of the Government.

The CHAIRMAN. And if for any reason the cost of operation increases, the law will necessarily, in protecting your properties, as the law should do, be forced to permit an increase in freight rates or in passenger rates, will it not?

Mr. ROBERTS. It has not done so up to the present time.

The CHAIRMAN. That is the policy of the law, is it not?

Mr. ROBERTS. Not up to date.

The CHAIRMAN. That is what should be the policy of the law.

Mr. ROBERTS. I quite agree with you.

The CHAIRMAN. So that if the lawmaking powers follow the rule of reason, as they should, then this condition is absolutely delectable, because you can protect your joint stock ownership in the manufacturing concern, you can afford to be reasonable in the purchasing of your commodities, and running stock, and then if the law is reasonable you would be permitted by the increase in your tariff rates to pass it to the man who pays it, would you not?

Mr. ROBERTS. From what I have seen of the operations of the Interstate Commerce Commission of late, I feel that their control is such that if railroads do not pay reasonable prices for their material and operations, they will be penalized to that extent in the fixing of the tariff rates.

The CHAIRMAN. But it is your hope that when they do get reasonable and cease to penalize, then this whole system will be comparatively easy, if it continues?

Mr. ROBERTS. I quite agree with you, sir; and I hope it is going to be so.

Mr. GARDNER. Mr. Roberts, were you a director in the United States Steel Co. at the time of its formation? Were you one of the original directors?

Mr. ROBERTS. I was one of the original directors.

Mr. GARDNER. Can you tell me what percentage of the domestic output was produced by the United States Steel Co. at the time, immediately after its organization?

Mr. ROBERTS. I can not give you those figures, Mr. Gardner. I think they were here.

Mr. BOLLING. Judge Gary filed with the committee a tabulated statement showing the percentage for each year in each product of the Steel Corporation.

Mr. GARDNER. You are not familiar with it?

Mr. ROBERTS. I am not familiar with it offhand.

Mr. GARDNER. If I were to discuss those figures filed by Judge Gary, you could throw no further light on them? I do not want to waste time on those questions if you could throw no further light on them.

Mr. ROBERTS. Do you mean as to whether they are correct or incorrect?

Mr. GARDNER. How they are made up.

Mr. ROBERTS. No; I do not know.

Mr. GARDNER. With regard to steel rails remaining at $28 a ton since 1902, you said that they had all remained at $28 and rather indicated that, in your opinion, $28 was a steadying price; that is to say, that it prevented steel rails going too low. Do you think it also prevents their going too high?

Mr. ROBERTS. I do. I think it is a very fair and reasonable price.

Mr. GARDNER. What leads you to think that?

Mr. ROBERTS. It is based upon the cost of manufacture.

Mr. GARDNER. For instance, the evidence brought out showed that cement and brick and ties and sand, I think, had fluctuated very much. Steel rails have not. But, much to my surprise, the question was not asked whether cement, brick, ties, and sand had risen or fallen since 1902. Can you tell me about that?

Mr. ROBERTS. I can not, except in a general way, that they have fluctuated, due to—well, I have no doubt that in some cases the cost of production has varied.

Mr. GARDNER. It is rather a material point, is it not; because, if they have risen and steel rails have remained the same, it would rather be an indication that $28 was a steadying price?

Mr. ROBERTS. I mentioned, I think, that ties had probably doubled in price in the last 10 years.

Mr. GARDNER. I mean something that can be produced in great quantities, like cement, brick, and sand.

Mr. ROBERTS. I think cement has decreased, largely due to improved methods of manufacture bringing about a reduction in cost. I think cement, to-day, is probably lower than it has ever been in the history of the country before. For instance, some years ago a cement process was introduced to make cement from waste blast-furnace slag, which cheapened the cost of cement very materially. For instance, there have been no changes in conditions in the manufacture of rails during those years which would affect their cost.

Mr. GARDNER. There has been no improvement in the production of rails comparable with the improvements in the production of cement?

Mr. ROBERTS. That is correct. That is what I meant to say.

Mr. GARDNER. How about bricks?

Mr. ROBERTS. Bricks? I do not know that I am qualified to pass an opinion as to the cost of bricks.

Mr. GARDNER. You are chairman of the committee on supplies?

Mr. ROBERTS. Of the Pennsylvania Railroad Co.

Mr. GARDNER. And you could easily ascertain the price you have paid for bricks?

Mr. ROBERTS. I could.

Mr. GARDNER. I should like to have the figures.

Mr. ROBERTS. I shall be very glad to give them.

Mr. GARDNER. I should like to have the figures as to those items, so as to see whether they have gone up or not.

Mr. ROBERTS. I shall be glad to get the statistics on that subject and present them to the committee.

Mr. GARDNER. Now, with regard to this cost of production of steel rails. You indicated that it would be a broad subject for discussion as to just how the shop cost should be made up. For instance, if you use your own ores you would probably charge yourself the same profit that somebody else would get if they had owned the ores that they had sold to you. Is that right?

Mr. ROBERTS. In making up the cost of the raw material it is so difficult to determine what is the proper amount to set up for depreciation of supplies——

Mr. GARDNER. I am coming to that, but what I want to know is this: If you buy your raw material it is easy enough for you to know what you paid for the raw material?

Mr. ROBERTS. Exactly.

Mr. GARDNER. If you produce your raw material, then you ought to charge yourself, ought you not, what you would have had to pay for it outside? Or would you eliminate the profit, or what would you do? I am asking for information, as a matter of fact, in making up your cost sheets. For instance, supposing you paid $1,000 an acre, which was the illustration you used yourself; do you charge a higher price for the ore that comes from that acreage that cost $1,000 than you do for the ore that comes from an acreage that cost $100?

Mr. ROBERTS. You should, naturally, based upon the contents of that ore property. In other words, if you have an ore property with 1,000,000 tons, costing $1,000,000, you are using your capital. Your ore is your capital. You have changed your money into ore, and therefore if it is 1,000,000 tons for $1,000,000 you have got $1 a ton, which you must set up as a depreciation fund for every ton of ore you consume.

Mr. GARDNER. I quite understand that it is a wasting investment.

Mr. ROBERTS. That is the cost, plus whatever it costs you to get your ore out.

Mr. GARDNER. What I want to get through my head is this: Supposing, for instance, that you bought a long while ago some ore lands which we will say were worth $100 an acre, and then, in the process of the appreciation of things in general, or because they developed to be better than you thought they were, they were now estimated—I do not say on your books, where they are probably carried at the cost price—in your mind as being worth $500 an acre. In that case do you charge your depreciation to make a sinking fund on the basis of the $100, or do you base it on the $500, which the thing is worth?

Mr. ROBERTS. On the original investment.

Mr. GARDNER. That would not seem to be altogether sound, where improvement was made, as a matter of fact, by reason——

Mr. ROBERTS. Let me explain. I may have answered you wrongly. I take the ground that the capital invested must be replenished when you are using your principal.

Mr. GARDNER. Yes; but there is a change in the valuation of your capital. However, I will not discuss that further.

Mr. ROBERTS. I understand. If you are going to take the physical valuation as the basis to work on, then you must value your property as of its value at the date you make your physical valuation.

Mr. GARDNER. It seems to me you ought to base it on the cost of replacement of that property obtained on the original cost.

Mr. ROBERTS. Quite right, when we are discussing physical valuations. I did not understand your position. I agree with you entirely in that matter.

Mr. GARDNER. What official of your company can tell us how your costs are made up, or can the Bureau of Corporations tell us that?

Mr. ROBERTS. I think Mr. Filbert can give all that information—our comptroller, our auditor.

Mr. GARDNER. He can tell us how all these figures are made up which show your cost of steel rails?

Mr. ROBERTS. Yes, sir.

Mr. GARDNER. Has that been investigated by the Bureau of Corporations?

Mr. ROBERTS. I think the Bureau of Corporations have made and are making an investigation of that kind.

Mr. GARDNER. Is that confidential information?

Mr. ROBERTS. I think not. I think Judge Gary offered the committee all that information. Yes, I know he did.

Mr. GARDNER. You remember the discussion which arose last year as to the power of the Commissioner of Corporations to testify in the Tennessee Coal & Iron absorption?

Mr. ROBERTS. I think Judge Gary offered all the information to this committee. Any information which has been furnished to the Bureau of Corporations he offered to this committee.

Mr. GARDNER. How could we obtain it if the Bureau of Corporations felt it was not within their power to give it?

Mr. ROBERTS. Not from the Bureau of Corporations, but the data which was furnished to the Bureau of Corporations by the Steel Corporation; he offered that same data to this committee.

Mr. GARDNER. Do I understand that, if we write to Judge Gary and ask him for a transcript of the evidence which he furnished to the Bureau of Corporations, it is available?

Mr. ROBERTS. I understand that is his testimony.

Mr. BOLLING. I think that is his statement. I will be glad to convey your request to him, if you wish.

Mr. YOUNG. I think all that information was furnished the Committee on Ways and Means by the Department of Commerce and Labor, so I think it has been released in some way. I know they had it, and checked Judge Gary's and Mr. Schwab's statements with it; compared them as they went along.

Mr. ROBERTS. My remembrance was that Judge Gary offered to the committee any data.

Mr. BARTLETT. They could not have been furnished all the testimony, Mr. Young, because it had not been completed.

Mr. YOUNG. Oh, no.

Mr. GARDNER. As a practical question, I do not want to ask the committee to subpœna a witness to come on here and give evidence if it is perfectly accessible and is merely a question of untying red tape to get hold of.

Mr. BOLLING. If you will write to us, Mr. Gardner, telling us just exactly what you want, I have no doubt in the world Judge Gary will send you all of it.

Mr. GARDNER. And could that become a part of the record, Mr. Chairman, information sent to me by the chairman of the board of directors by mail, with reference to the cost of production of steel rails? How would I make that part of the record?

Mr. BARTLETT. By simply calling the attention of the committee to the fact that it had been furnished to you, and asking that it be put in the record, with the letter, if it is with a letter.

Mr. GARDNER. It would require an affidavit, would it not?

Mr. BARTLETT. No; I think not. Judge Gary has stated that any information which his books show will be furnished upon request to the committee, and it is understood that the committee can call for this information, shown in that way, if it desires, and that it will be furnished and become a part of the record.

Mr. BOLLING. I think I can meet your question, Mr. Gardner, by saying we will very gladly offer it in evidence at any of the subsequent hearings, if this information is furnished you, and you wish it to go in the record. All you will have to do is to offer it in evidence.

Mr. GARDNER. It is so laborious that it would be very much better that way. I might ask questions two hours to get information, when I could sit down in the evening and study it out very much better.

Mr. BOLLING. I appreciate your desire, and we would like to comply with it.

Mr. GARDNER. I would like to have this read and have it come in as a part of his sworn testimony and become a part of the record.

Mr. BOLLING. We will see that it is offered in evidence, if you wish.

Mr. GARDNER. I will make that request in writing. Mr. Roberts, the Pennsylvania Railroad now buys, you say, open-hearth steel rails?

Mr. ROBERTS. Yes, sir; to a very large extent. They may use Bessemer rails on some unimportant branch roads, sidings, and things of that kind; but the bulk of their orders for the past two years have been open-hearth rails.

Mr. GARDNER. And they buy them from all these companies, including ones in which they are interested?

Mr. ROBERTS. They do.

Mr. GARDNER. From year to year do the proportionate parts which they buy from different companies vary, or is it apportioned off in the same proportions, year after year?

Mr. ROBERTS. It does not vary very greatly, I think. I think that about 50 per cent of their requirements come from the Cambria and the Pennsylvania Steel Cos. The balance comes from the Lackawanna, from Bethlehem, from the United States Steel Corporation, but much the larger portion from the United States Steel Corpora-

tion, somewhat based upon relative tonnages given by the different mills to the railroad. Bethlehem has a very small tonnage; it is not on the lines of the Pennsylvania Railroad, but carries some of its raw material over their railroad.

Mr. GARDNER. Why does a railroad pursue the policy of apportioning the orders for steel rails according to the capacity of the railroad?

Mr. ROBERTS. It is not according to the capacity of the mill; it is according to the tonnage from the mill which is tributary to the railroad; for instance, the amount of freight which the railroad obtains, the amount of business.

Mr. GARDNER. That is, you patronize your customers in proportion to the trade that is given you?

Mr. ROBERTS. To the trade that is given to the road.

Mr. GARDNER. How long have you been using open-hearth steel rails?

Mr. ROBERTS. I think for the past two or three years; two years, anyhow.

Mr. GARDNER. Was the Tennessee Coal & Iron Co. the pioneer in the manufacture of open-hearth steel rails?

Mr. ROBERTS. They were not the pioneers in the mnaufacture of open-hearth steel. I think some of the other rail makers had rolled, from time to time, open-hearth steel rails in an experimental way—not very large orders. But the Tennessee company were not a manufacturer of Bessemer steel, due to the fact that the ores in Alabama were not Bessemer ores; it was therefore necessary for them to enter into the manufacture of open-hearth steel rails when they built their rail plant, as they were unable to make Bessemer steel. They, therefore, were one of the earliest, or the earliest, of open-hearth steel rail plants in the country.

Mr. GARDNER. I believe that was stated as an especial value to their plant at the time it was absorbed by the United States Steel Corporation. What have you to say about that?

Mr. ROBERTS. No; because any other plant in the country could enter into the manufacture of open-hearth steel rails. Basic open-hearth steel admits of the use of any quality of ore, irrespective of its phosphorus content, whereas Bessemer steel requires an ore with a low phosphorus content, probably not over .04, due to the fact that phosphorus in the Bessemer process is not eliminated, but in the basic open-hearth process it makes no difference how much phosphorus you have, because you eliminate it in the process of making your steel. Consequently, these plants which originally produced Bessemer steel, due to the fact that the basic open-hearth process was not known at that time and not operated, have now gradually, due to the gradual extension of the Bessemer or low-phosphorus ores, been compelled to turn over to the manufacture of open-hearth basic rails. The plant at Gary is arranged as an open-hearth basic plant entirely. They have no Bessemer plant. And some of the Pittsburg plants are using the basic open-hearth process. The others are using both, as they see fit.

Mr. GARDNER. Has it been an expensive matter to convert the plants of those companies so that they can use this basic open-hearth process instead of the Bessemer process?

Mr. ROBERTS. Yes. It means the abandonment of their Bessemer plant, putting it in the scrap heap. The value of all the capital

invested in the Bessemer plant disappears, and whatever the cost of the open-hearth plant is must be added to their capital charges.

Mr. GARDNER. I wish you would tell me what the open-hearth process is, if you can describe it in a word.

Mr. ROBERTS. The Bessemer process, as known and called such, is by blowing compressed air through molten pig iron in what is known as a converter. By the blowing through of that air the carbon is eliminated by the oxygen of the air, and forms carbon oxide, which burns to carbonic acid gas. That then becomes steel and is poured into the ingots. The open-hearth process was known as the Seaman's furnace, a reverberatory furnace with gas fuel. The coal is charged in a producer, which forms gas, is then carried to the furnace, which is on regenerative principles, and the flame passes over the bed of the furnace, the open hearth of the furnace, on which either liquid pig iron or cold pig iron is put, melted, and the carbon removed from the pig iron by the contact of the oxygen with the flame passing over it. The lining of the furnace, what is known as the basic furnace, is composed of bases instead of acids. The original form of the open-hearth process was acid, and was made in a furnace lined with sand or silica; whereas the basic furnace is lined with a base, such as lime or magnesia. This enables the introduction of basic material, such as limestone, which has an affinity for phosphorus, and eliminates the phosphorus from the pig iron; whereas in the Bessemer process by simply passing air through the pig iron in an acid-lined converter you do not eliminate the phosphorus. I would say that it is a more expensive process to operate an open hearth than it is a Bessemer, due to the fact that in one case your fuel is air and in the other case your fuel is coal. You can not make open-heart steel as cheaply as you can make Bessemer steel.

Mr. BARTLETT. What is the advantage of the one over the other, if any?

Mr. ROBERTS. You have the opportunity of using all grades of ore in the open hearth, whereas in the Bessemer you are limited to certain special ores which contain a small content of phosphorus.

Mr. YOUNG. Mr. Roberts, just a few questions. You stated that in 1897 and 1898, and the years immediately succeeding, as I understood you, you were not in the rail business?

Mr. ROBERTS. I never was in the rail business.

Mr. YOUNG. Then when you speak of a rail pool having been organized subsequent to 1898, which caused a rise in the price of rails, how do you get that information; how do you know it?

Mr. ROBERTS. I know it only by hearsay, not by actual knowledge.

Mr. YOUNG. Do you think that the fact that in 1897 and 1898 Bessemer ores at Cleveland and at Chicago, from the Vermilion and Mesabi Ranges, were selling at $2.25 per ton and that in 1900 the same ores were selling at the same places at $4.50 per ton had anything to do with the increase in the price of steel rails?

Mr. ROBERTS. I think it undoubtedly played a part. I think those years of 1897 and 1898 were years of depression in all kinds of prices; but even with the great depression in raw material the finished product went too low even for those changes.

Mr. YOUNG. What was the condition of general business in 1899 and in 1900 as compared with the years 1897 and 1898?

Mr. ROBERTS. It was improving; much better.

Mr. YOUNG. Would not that of itself have a great effect on the price of steel rails?

Mr. ROBERTS. It would not have been a material assistance.

Mr. YOUNG. Was it not a fact that in 1899 and 1900 steel-rail mills of this country could hardly supply the demand upon them, while they had been comparatively idle the two years before?

Mr. ROBERTS. We had better times. But you remember the year 1900 contained the full-dinner-pail campaign. We were leading up to better times. But I think one of the most depressed periods we had was——

Mr. YOUNG. The full-dinner-pail campaign came in 1896.

Mr. ROBERTS. Sound money. I beg your pardon; sound money was 1900; the full dinner pail was 1896; and the day before Mr. McKinley's first election——

Mr. YOUNG. 1896 was sound money and the full dinner pail.

Mr. ROBERTS. The sound-money parades in New York were in 1900.

Mr. BARTLETT. 1896.

Mr. ROBERTS. Sound money?

Mr. BARTLETT. Yes.

Mr. YOUNG. That was the Bryan-McKinley campaign, 1896.

Mr. ROBERTS. One is as bad as the other. But I know I recall very well the parades in New York.

Mr. BARTLETT. One is as specious as the other, you mean.

Mr. ROBERTS. And as bad as the other.

Mr. GARDNER. In 1896 there were very hard times.

Mr. ROBERTS. The lowest price of structural material that I ever knew of was a contract made in the city of New York the day preceding Mr. McKinley's first election, and the price was 1 cent a pound for structural material delivered in New York City.

Mr. YOUNG. Following 1897 and 1898, then, there was a great improvement in general business, was there not?

Mr. ROBERTS. I think there was, as I recall it.

Mr. YOUNG. Something has been said about there not being so much fluctuation in rails as there was in the other things, like cement, brick, ties, and sand, used by the railroads. It is true, is it not, that railroad rails are sold only to the railroads themselves; there is no other market for them?

Mr. ROBERTS. The only consumer is the railroad.

Mr. YOUNG. The manufacturers do not sell to middle men, do they?

Mr. ROBERTS. Direct to the customer.

Mr. YOUNG. That is not true with cement, or brick, or sand, is it; it has a general market?

Mr. ROBERTS. That is open to the general trade of all descriptions.

Mr. YOUNG. And its price would naturally be affected by general conditions, would it not?

Mr. ROBERTS. Undoubtedly.

Mr. YOUNG. Where the price of railroad rails would be affected more particularly by the condition of the railroad business, and the agreement which the railroad might make with the manufacturers that sold it the rails?

Mr. ROBERTS. I do not think the conditions are comparable at all. As I said before, the rail trade is so special in its nature that you have to judge it alone; you can not bring in outside industries not kindred at all or subject to the same conditions; the conditions are not similar.

Mr. YOUNG. Is it not a fact that the railroads are the only customers of this peculiar product?

Mr. ROBERTS. That is all.

Mr. YOUNG. Is not that one of the controlling features that make it a thing by itself?

Mr. ROBERTS. Undoubtedly. It is limited to one class of consumers only.

Mr. YOUNG. You were questioned by Mr. Beall in regard to a statement made or a letter sent by Mr. Schwab to Mr. Frick. Were you aware of the fact that Mr. Schwab testified before the Ways and Means Committee in the tariff hearings in regard to this matter?

Mr. ROBERTS. I had a general knowledge of it that I secured from the newspapers; that is all.

Mr. YOUNG. I wish to call your attention to what Mr. Schwab said, for instance, about iron ore in that testimony, as showing how his costs were made up. He said:

> We were leasing our ores at that time in the Northwest. We started out to buy them, but we were purchasing and leasing ores, as people familiar with the trade will recollect, at 10 and 15 cents.

So he starts with his cost of the ore in the ground at 10 or 15 cents.

Mr. ROBERTS. It is a very different problem from a dollar.

Mr. YOUNG. It would be very simple to figure your cost in that way, would it not?

Mr. ROBERTS. Undoubtedly. As I say, unless you know all the items that enter in it is impossible. I would like to say that in those years prior to 1900 we were robbing our principal in this country. Coal lands had been purchased for probably $50 an acre, large ore tracts for almost nothing. The owners had gotten rich quickly. Five or 10 cents royalty meant a great deal to them, and we were consuming our principal, as we are to-day with our wheat growing. We are consuming the fertility of our soil without any return, and we were doing that very thing in those days with our natural resources in the way of minerals. You could not replace those properties to-day, or probably in 1900, or even before that, at the prices at which they had been secured some years before. I remember in the seventies I was in the Michigan region, and some of the new ore ranges had been discovered. For $100 I could have bought enough property to have held it until 1900 and made many millions of dollars out of it.

Mr. YOUNG. I wish to call your attention to another thing Mr. Schwab swore to in this connection, or stated, before the Committee on Ways and Means, on page 1630 of the hearing. Referring to this letter in which he had stated the mill cost of steel rails was $12, he said:

> Second. I want to explain the motive of that letter. The letter was written at Mr. Frick's solicitation. It was at a time when he was anxious to dispose of the Carnegie Co., and it was also written in an optimistic vein for a like reason. If you will bear that in mind in reading that letter, you will probably understand it better.

That being true, do you think that has any effect on the absolute correctness of Mr. Schwab's figures?

Mr. ROBERTS. I doubt if the figures are correct for what would be called a conservative estimate of cost, or a complete estimate of cost, I would say. I do not think it is an ultimate analysis, but only a partial one.

Mr. BARTLETT. May I suggest to Mr. Young that further on in that testimony he goes into the detail of the cost of production of rails, and finally comes down and says that that cost of $12 a ton embraced everything at the mill, without taking into consideration the cost of the plant, interest on the money, or deterioration.

Mr. YOUNG. And figuring the ore at 15 cents in the ground.

Mr. BARTLETT. And he goes on to state why he does that, because from the leased ore beds they were able to get it without much cost, and it could have been gotten out easily.

Mr. ROBERTS. That is the kind of figuring by which bondholders become stockholders.

Mr. BEALL. I would like to call attention, further, to the fact that Mr. Carnegie, in his testimony, indorses the statement made by Mr. Schwab in this letter that the rails could be manufactured at $12 a ton.

Mr. BARTLETT. Mill cost.

Mr. YOUNG. That is all.

Mr. BARTLETT. You say you are familiar with the sale and the prices of rails?

Mr. ROBERTS. I am not a seller of rails; no, sir.

Mr. BARTLETT. Do you know anything about the difference between the prices charged for steel rails for home railroads and those that are sold abroad?

Mr. ROBERTS. I do, in a general way. In some cases the return to the maker is practically equal to his home trade. In other cases, due very largely to the want of transportation facilities between this country and foreign countries, the rails will net the manufacturer here much lower than they would if he had any reasonable means of transportation. I will illustrate what I mean.

Mr. BARTLETT. Before you do illustrate, what I mean to say is, it is a fact, then, that rails are often sold to the foreign producer at less than the price at which they sell to the home producer?

Mr. ROBERTS. No, sir; the price at which they are sold will be higher than the price for home consumption, but due to the fact——

Mr. BARTLETT. Do you mean higher or lower?

Mr. ROBERTS. Higher price; but due to the fact that the manufacturer has to absorb the freight rate, and due to the fact of the want of ocean transportation, he has got to absorb a good deal more than he ought to. A case in mind: To ship to Argentine, South America, in many cases we ship to Liverpool, and reship from Liverpool to South America, due to want of ocean transportation between the two countries; that increases the freight rate very much. Consequently, a transaction of that kind will net the manufacturer at the mill less money than his home rails will.

Mr. BARTLETT. I did not ask you about what it would net the manufacturer, but the fact that the price per ton has often been fixed at less to the foreign purchaser than to the home purchaser.

Mr. ROBERTS. I can only answer that by saying it is fixed at the prices prevailing in the country of its destination, which are fixed by——

Mr. BARTLETT. Competition?

Mr. ROBERTS. Competition between other manufacturers in other parts of the world.

Mr. BARTLETT. You do not know of the sales, then—the fact that there have been frequent sales to foreign purchasers at a less price than to the home purchasers?

Mr. ROBERTS. I could not answer that of my own knowledge definitely.

Mr. BARTLETT. I think that is all. I suppose, of course, if we need you we can get you?

Mr. ROBERTS. I expect to be away for the next two or three months; but after that I will be back again.

Mr. BARTLETT. I do not know of anything more.

Mr. ROBERTS. I shall be glad to do anything I can do at any time.

Mr. BARTLETT. You are excused unless you are notified to return.

(Thereupon, at 5.35 o'clock p. m., the committee adjourned to meet at the call of the chairman.)

No. 7

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
Tuesday, June 13, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF MR. JAMES GAYLEY—Continued.

The CHAIRMAN. Mr. Young, I want to make a suggestion. When Mr. Young has concluded with the witness, as I understand Mr. Gayley is thoroughly cognizant of the conditions existing in the ore region in Minnesota, it will be the purpose of the chairman to ask him some questions which will involve in some detail the capitalization and the course of operation of the Duluth & Iron Range Railroad and other subsidiary railroad companies operating between the Mesabi Range and the lake. The chairman will also inquire of the witness concerning the amount of capital employed, steamers, barges, and other water craft operating on the lake, the capital employed in docks. I will also ask the witness concerning the capital employed in the coal and coking properties, exclusive of the Tennessee Coal & Iron Co., such properties as are located at Connellsville, Pocahontas region, and in the States of Pennsylvania, Ohio, and Virginia. I will also question the witness concerning the amount of capital employed in blast furnaces, excluding blast furnaces of the Tennessee Coal & Iron Co., property acquired after he went out. I will also question the witness concerning the amount of iron in sight on the Mesabi Range and in the ore ranges, exclusive of the Mesabi Range, concerning the royalties on those ore properties, concerning the amount of ore mined.

I will also question the witness concerning the average output of tons per man per day and the cost of mining, including stripping and exclusive of stripping of the hard and soft ores in those ranges. I will inquire of the witness concerning the labor cost in the production of a ton of coal, a ton of pig iron in the blast furnaces of the company from 1896 to the time when he retired from any connection with the United States Steel Corporation, and concerning the value of by-products. I will question the witness concerning the coke ovens, the cost of coke ovens, the cost of operation of the beehive and by-product coke oven. I will ask the witness to submit a cost sheet of the production of a ton of pig iron in Pittsburg, Cleveland, Chicago, Middleboro, England, and Luxemburg, Germany, for the year 1910, if he can do it; and if not, at such time as his retirement

from the United States Steel Corporation. I make the suggestions in order that he may have at hand such data as may be necessary at the time I commence the examination.

That is all, Mr. Young.

Mr. YOUNG. Shortly before the examination closed the other night I was asking you in regard to the manner in which the price of steel rails was fixed during the time you were with the Carnegie Co. I will ask you the question first, during that time was there any competition in rails? And if so, state what the competition was.

Mr. GAYLEY. There has always been competition in rails between the different makers. Various railroads have almost continuously had their supply of rails from the same works, the same company, and for long periods the price of rails was practically uniform. Then, for a year or more there would be a variation, like in 1897, when we had a sudden drop in the price of rails, and after that they steadied down to a uniform price of $28 a ton, which was about the average price prior to the sudden drop in 1897.

Mr. YOUNG. What caused the sudden drop of rails in 1897?

Mr. GAYLEY. The Illinois Steel Co. suddenly cut the price.

Mr. YOUNG. To what; do you remember?

Mr. GAYLEY. At that time the cut was at once to $17 a ton.

Mr. YOUNG. From what price?

Mr. GAYLEY. I think I have that, Mr. Young.

Mr. BARTLETT. $17 or $17.50?

Mr. GAYLEY. From $28 a ton.

Mr. LINDABURY. I think he said $17.

Mr. YOUNG. The cut was made to $17. Was there any warning that this would be done, to the other steel manufacturers?

Mr. GAYLEY. I think not.

Mr. YOUNG. Had it been preceded by any disagreement between these companies?

Mr. GAYLEY. I can not state definitely as to the circumstances that led up to that cut. My judgment is that it was a matter of retaliation for some fancied wrong on the part of the Illinois Steel Co.

Mr. YOUNG. It was the Illinois Steel Co. that did it, I understand?

Mr. GAYLEY. It was.

Mr. YOUNG. Who did they think had wronged them—if you know?

Mr. GAYLEY. I presume it was the Carnegie Steel Co.

Mr. YOUNG. What had the Carnegie Steel Co. done just previous to that that might have led them to such an opinion?

Mr. GAYLEY. I can not tell you. I had just at that period left the management of the works.

Mr. YOUNG. The Edgar Thomson works?

Mr. GAYLEY. The Edgar Thomson works—to take up my duties in the raw-material end of the Carnegie Steel Co., and I was not conversant with the general business of the company.

Mr. YOUNG. Was the price of $28, which has prevailed from about 1899, arrived at by some understanding or agreement or combination between the different concerns engaged in the manufacture of rails?

Mr. GAYLEY. It represented, as far as I understand it, an equitable price between the makers of rails and the railroads. It represented an equitable price, for this reason: The railroads can not afford to have low prices on rails or to be able to purchase rails near to the

cost of production. Rails is the only product of our steel mills which is submitted to severe tests in a particular way, as they are used entirely for transportation of freight and passengers, and life can be endangered through the use of poor rails; and it is of the greatest importance that the price of rails should be such a price that will enable the manufacturer of rails without question to turn out a substantial and reliable article.

Mr. YOUNG. Was this understanding as to the price of $28 arrived at at some meeting between the railroads and the steel manufacturers?

Mr. GAYLEY. That I can not tell. I was not in that end of the business.

Mr. YOUNG. Can you state how it happened that all of these different manufacturers and all of these railroads arrived at practically the same conclusion as to what a fair price for steel rails was?

Mr. GAYLEY. Ever since steel rails were first made in this country there has been a practical fraternal feeling among the rail makers from the very beginning. There has been a fraternal feeling among these men that started back at the beginning of the working out of the steel rail in the development of the Bessemer process. The various managers of works were in constant intercourse, and owners were in constant intercourse, having a single object in endeavoring to make with the Bessemer process, which was then undeveloped, the best rail that it was possible to make, and there has always been, I think, an unusual freedom of intercourse and exchange of opinion starting with that situation with regard to the rail-making industry.

Mr. YOUNG. This exchange of opinion related also to the price which it was fair to charge the railroads?

Mr. GAYLEY. I think it was.

The CHAIRMAN. Was this fraternity of which you speak facilitated by the indifference of the railroads to the price per ton so long as it was a constant quantity?

Mr. GAYLEY. I do not know that I quite understand that question.

The CHAIRMAN. This fraternity among the rail makers, this disposition to agree as to price in order to furnish the highest grade of rails was facilitated by the indifference of the railroad companies to the cost of rails so long as they knew the cost and knew they were getting a satisfactory article?

Mr. LINDABURY. I think you should omit the word "indifference." I do not understand that he knew the attitude of the railroads.

The CHAIRMAN. I am asking him whether that was the attitude.

Mr. GAYLEY. It was rather a recognition that such a price would enable the steel makers to produce the quality of rail that the railroads demanded for their service and traffic.

The CHAIRMAN. And the railroads never haggled with you about the price of the rails?

Mr. GAYLEY. I do not know that they did; but I was not in that department of the business and I can not speak with authority.

The CHAIRMAN. That is all. Excuse me, Mr. Young.

Mr. GARDNER. Did I understand you a moment ago to say that the rail makers' fraternity after the war of 1897 or 1898 was over met together and set on a price for the rails?

Mr. GAYLEY. I intended to say that from the beginning of making rails this fraternity of feeling always existed among the rail makers.

As to what extent that continued in trade relations and how it was affected after the reduction in price of 1897 I am not able to tell.

Mr. GARDNER. What I wanted to get at in my mind is this: Whether the agreement which restored the price of rails was based on an apportionment of the amount of the product or an agreement as to the price at which the product should be sold. I understood you to say a little while ago that the price of the product went into that agreement?

Mr. GAYLEY. I did not intend to say that.

Mr. GARDNER. Probably I misunderstood you.

Mr. GAYLEY. Yes, sir.

Mr. GARDNER. I wanted to get at that question, whether the makers of steel rails agreed to the proportionate amount of steel rails to be given by way of contracts to the various makers of steel rails or whether in doing that there was some price more or less fixed on. You see the gist of my question? If you remember, steel rails went up to $32, or thereabouts, in 1900.

Mr. GAYLEY. As I said before, the moving element to the adjustment at $28 was at a time when I was not in touch with that end of the business, and I can not tell you how it was arrived at.

Mr. GARDNER. Are you speaking now of the year 1901?

Mr. GAYLEY. Of the adjustment after the price cutting of 1897 and 1898.

Mr. GARDNER. But that adjustment did not fix the price at $28, the average price, until 1901—until the formation of the United States Steel Corporation?

Mr. GAYLEY. It did until 1901.

Mr. GARDNER. But you were not connected with the setting of the price when it became steady at $28?

Mr. GAYLEY. I was not.

Mr. YOUNG. Do you know how that was done?

Mr. GAYLEY. I do not know.

Mr. YOUNG. Do you know whether there was some understanding among the manufacturers of steel as to what price they should ask the railroads before the question was put up to the railroads what they were willing to give?

Mr. GAYLEY. As a matter of knowledge, I do not. I only know that $28 was considered a fair price to the steel makers and acceptable to the railroads.

Mr. YOUNG. Was it generally understood among the makers of steel rails shortly before that price was made that that was to be the future price for the time being?

Mr. GAYLEY. That I can not tell you.

Mr. YOUNG. I will ask you what did the Edgar Thomson Steel Co. manufacture during the time you had charge of the works?

Mr. GAYLEY. Principally rails, and during the latter part of the period steel billets.

Mr. YOUNG. Were steel billets sold or were they all consumed by the company?

Mr. GAYLEY. Sold.

Mr. YOUNG. Did the price of steel billets remain stationary during the time you were in charge of those works?

Mr. GAYLEY. I do not think they did, but I have not any data to show the variation in price. Steel billets, I might say, went up and down, as all steel products varied in price.

Mr. YOUNG. What other companies during that time were making steel billets?

Mr. GAYLEY. Jones & Laughlin were making billets. The Duquesne Works of the Carnegie Steel Co. were making billets, and likewise the Homestead Steel Co. They were made in Chicago.

Mr. YOUNG. By the Illinois Steel Co.?

Mr. GAYLEY. The Illinois Steel Co. They were made in Cleveland and Youngstown.

Mr. YOUNG. By what concern?

Mr. GAYLEY. The Steel & Wire Co., the National Steel Co., and the Illinois Steel Co.

Mr. YOUNG. During that time can you state whether or not there was competition in steel billets?

Mr. GAYLEY. Yes; there was competition. There is always competition in steel billets. There has been competition in all the products of steel, and always will be.

Mr. YOUNG. Has that related only to certain times, or has it been common to all periods?

Mr. GAYLEY. I would say that it is common to all periods.

Mr. YOUNG. Is it not true, Mr. Gayley, that at times, up to the formation of the United States Steel Corporation, the manufacturers of these various products got together and fixed upon the price of certain products, sometimes they called them pools, in which fines were imposed for violation of the agreement?

Mr. GAYLEY. I understand they did.

Mr. YOUNG. Did you have anything to do with any of those agreements?

Mr. GAYLEY. Personally, no.

Mr. YOUNG. Do you know whether the Carnegie Steel Co. was a party to such agreements?

Mr. GAYLEY. I imagine that they were certainly parties to all agreements made at that time.

Mr. YOUNG. They were very large manufacturers, were they not, a very large factor in the business?

Mr. GAYLEY. They were.

Mr. YOUNG. And an agreement which left them out would not have amounted to much?

Mr. GAYLEY. It would not.

Mr. YOUNG. Do you know who it was of the men, or what body it was, that imposed fines for violations of these agreements?

Mr. GAYLEY. I do not know.

Mr. YOUNG. Do you know to whom the fines went?

Mr. GAYLEY. I imagine they were divided pro rata according to their allotment.

Mr. YOUNG. Do you know that?

Mr. GAYLEY. I want to state, Mr. Young, that I had personally nothing to do with the creation or the operation or the conduct of that part of the business.

Mr. YOUNG. I understand that. I was simply asking what knowledge you had.

Mr. GARDNER. My object in suggesting the questions to Mr. Young was to find the name of an individual whom we could call before us and make these inquiries of. Now, do you know the name of the treasurer to whom the check was drawn?

Mr. GAYLEY. I do not.
Mr. GARDNER. Do you know where we can get that information?
Mr. GAYLEY. From Mr. Schwab; he might give it to you.
Mr. GARDNER. Do you know anybody else except Mr. Schwab?
Mr. GAYLEY. Perhaps Mr. Peacock.
Mr. GARDNER. What is his full name?
Mr. GAYLEY. E. A. Peacock, I think.
Mr. GARDNER. Do you know anybody else besides Mr. Schwab and Mr. Peacock who could give the information?
Mr. GAYLEY. I can not recall now.
Mr. YOUNG. Did Mr. Schwab have charge of the selling of the products of the Carnegie Steel Co. to a large extent?
Mr. GAYLEY. He had general direction. Mr. Peacock was the vice president and general manager of sales.
Mr. YOUNG. What did Mr. Schwab have to do with it?
Mr. GAYLEY. He was president and had general supervision of all branches of the business of the Carnegie Steel Co.
Mr. YOUNG. Do you remember during what years Mr. Schwab was president of the company?
Mr. GAYLEY. I think it was in 1898 that he became president.
Mr. YOUNG. And he continued until the property was bought by the United States Steel Corporation?
Mr. GAYLEY. He continued until it became a part of the United States Steel Corporation.
Mr. BARTLETT. And then became president of the United States Steel Corporation?
Mr. GAYLEY. Yes, sir.
Mr. YOUNG. During the existence of the United States Steel Corporation up to the time you ceased to be vice president, was there or was there not competition between that company and other companies in general steel products?
Mr. GAYLEY. There is always competition in any steel business. Competition is not simply cutting prices. There is a natural competition between companies by reason of the location of the works. Works located in a certain territory, which territory has been chosen as a vantage ground, can compete against anybody in that territory. There is always competition throughout the iron and steel business by reason of the raw material controlled which makes different qualities of steel and iron. Now, there is as much variety in the kinds of steel as there are shades of color. There is competition in the quality of steel through the manufacture—the different heating treatments, different processes of making steel—and then there is competition in various lines of steel in the shapes that mills make. Different mills do not make the same shapes, just like pipe foundries do not make all the same sizes of pipe, and one has no competition in certain lines and another in certain lines. There is always competition going on in the business.
Mr. YOUNG. You spoke of competition existing because of location, and said that there were certain sections surrounding a steel plant where nobody could compete with it. Is that because of the natural conditions, freight rates, etc., or is it because there was some understanding or agreement between owners of the various plants that each control a certain territory?

Mr. GAYLEY. I think every works is located primarily because it is presumed to have certain natural advantages, and that alone—advantages for the assembling of material, cost of manufacture, supply of labor, and the distribution of product.

Mr. YOUNG. Has that been supplemented, to your knowledge, with agreements as to territory, since 1901?

Mr. GAYLEY. I have never heard agreements spoken of as applying to territory, but as to percentage of business largely based on the productive efficiency of the parties to the agreement.

Mr. YOUNG. Do you mean that there have been agreements that each of the concerns should have a certain percentage of the business, something like a pooling agreement among railroads?

Mr. GAYLEY. That is my entire understanding of it.

Mr. YOUNG. Have those gone to the extent of providing that if one company did not get its proportion under the understanding that it should at least have the profit on the business it should have done?

Mr. GAYLEY. That is my understanding of the way they were managed.

Mr. YOUNG. Have agreements of that kind been in force during the last 10 years?

Mr. GAYLEY. I have never heard of any.

Mr. YOUNG. When was the time when such agreements were in force?

Mr. GAYLEY. Prior to 1900.

Mr. YOUNG. Did these agreements, according to your knowledge, extend backward from about 1900 over a considerable period; and if so, what was that period?

Mr. GAYLEY. I can not tell you what period that would cover.

Mr. YOUNG. You state that since about 1901 that you have not known of the existence of any such agreements?

Mr. GAYLEY. I have not knowledge of any, nor have I heard them spoken of.

Mr. YOUNG. Was that change, in your judgment, caused by the organization of the steel company?

Mr GAYLEY. It may have been the natural result of it.

Mr. YOUNG. Was it the natural result because it was no longer necessary to have agreements of that kind?

Mr. GAYLEY. There is no necessity of agreements during periods when business is good and there is enough for everybody without agreements. Agreements, you must remember, were to keep the prices up and to prevent disastrous competition in prices, and they became inoperative when the steel business increased to such an extent that there was business for all.

Mr. YOUNG. There was a considerable period of depression in the steel business in 1907, was there not?

Mr. GAYLEY. Yes, sir; there was.

Mr. YOUNG. Would not the necessity arise at that time for some sort of an agreement?

Mr. GAYLEY. Did the necessity arise?

Mr. YOUNG. Would it not necessarily arise?

Mr. GAYLEY. It did not; there were none.

Mr. YOUNG. If it did not arise, then, was it because the dominance of the Steel Corporation was such as to render any agreement unnecessary?

Mr. GAYLEY. No; I do not understand it that way. By dominance I construe your question to mean the effective power of the Steel Corporation?

Mr. YOUNG. Yes, sir.

Mr. GAYLEY. Not at all. It was done through the influence of the corporation, but not its dominating position in the trade.

Mr. YOUNG. It was about that time, as I understand it, that the so-called Garry dinners began?

Mr. GAYLEY. In 1907?

Mr. YOUNG. Yes, sir.

Mr. GAYLEY. Yes, sir.

Mr. YOUNG. Was there any discussion and conference among the steel men at that time as to the advisability of getting together in some such informal way as these dinners presented before the first of the dinners was given?

Mr. GAYLEY. No. I think the origin of these dinners came about in this way. Judge Garry had associated with him as officers of the United States Steel Corporation men who were brought up in the atmosphere of strong competition. Judge Gary promulgated the idea that the time had gone by for this fierce competition, that there was nothing to be gained by it, and he did not believe simply because trade slackened that we should go into the market and dump our products on the market. He started out by presenting this idea to his associates. We used to lunch, the officers of the Steel Corporation, in the building, and that was an occasion for discussing a great many propositions relating to the iron and steel business. I was brought up in a different school, and I must confess that I did not receive his ideas very favorably. I was brought up in the school of keen competition and price-cutting in the days of the Carnegie Steel Co., when trade slackened to go out and get the business and keep our mills running, but I began to see personally that Judge Gary's proposition was a good one. The situation had changed since the Steel Corporation had formed.

We used to, before that, be able to go up to the large ore holdings in Minnesota, for instance, to the Rockefeller interests, to the lumber interests there, and we could always lease an additional ore proposition, they were always available; but after the formation of the United States Steel Corporation those properties were all taken up by different people, manufacturers of steel in this country, to a very large extent by the independent steel makers, and the Mesabi Range which holds a great body of ore for this country, is a formation that you can accurately determine the amount of ore in those deposits. We all knew just exactly what we had, and it seemed to me and to others that it was not a desirable thing to throw away this valuable ore without profit. A good many directors of the United States Steel Corporation coincided with Judge Gary in this view.

At the first dinner—I remember that very well—Judge Gary, as my recollection goes back to that time, laid before the various makers of iron and steel who were assembled there the fact that we should look at things from a different standpoint, that there was nothing to be gained from price-cutting, that the corporation intended to main-

tain its prices, and that it did not intend to go out into the market as a powerful corporation before that had done and cut prices and insist on running its own works to the detriment of others, that it intended to maintain its prices and to stand for stability in prices. The influence of the Steel Corporation taking this position and the corporation with high-managing ability, equiped with the best metallurgists and mechanical engineers in this country, the influence of its board of directors, men who were influential and successful in various branches of business and of wide experience, the influence of the Steel Corporation taking that position was influential in convincing these various other makers of steel that it was a wise policy to follow.

Mr. YOUNG. When was this first dinner held?

Mr. GAYLEY. I can tell you exactly—November 20, 1907.

Mr. YOUNG. That was after the panic?

Mr. GAYLEY. Yes, sir; or during the trade depression.

Mr. YOUNG. It was during the depression, but the so-called panic was practically over at that time—the disturbance in New York?

Mr. GAYLEY. That was the first week in November.

Mr. BARTLETT. You say that the panic was in the first week in November?

Mr. GAYLEY. That is my recollection.

Mr. BARTLETT. And it lasted from the 1st until about the 7th?

Mr. GAYLEY. About that time.

Mr. LINDABURY. I think it began in October.

Mr. GARDNER. You stated that Mr. Gary announced it as his judgment that the United States Steel Corporation would maintain their prices?

Mr. GAYLEY. That was their purpose.

Mr. GARDNER. Just what did that mean? Did it mean, for instance, that if some other company cut the price to $26 a ton for rails that the United States Steel Corporation would still maintain the price at $28 per ton?

Mr. GAYLEY. That is my understanding.

Mr. GARDNER. Why was it that no company, in order to run their works fully, knowing that the United States Steel Corporation would not follow them in the cut, why did not somebody cut the price of steel rails if it was generally understood to be the policy of the United States Steel Corporation not to meet that competition?

Mr. GAYLEY. Simply because they did not want to give the valuable raw material away at a minimum amount of profit. That is the best answer I can give you.

Mr. GARDNER. You never, for instance, heard anybody say that the influence of the rail makers was so great with the railroads that they would get their proportionate share of the business at the greater price, $28 a ton? Did not every steel maker, as a matter of fact, know that if he maintained his price at $28 he would get his proportionate share of the business according to the capacity of his plant?

Mr. GAYLEY. According to the capacity of his plant and in the present day as to the character of rail he was producing.

Mr. GARDNER. You mean between Bessemer and open-hearth rails?

Mr. GAYLEY. Yes, sir.

Mr. GARDNER. In other words, the reason why a man did not cut the price was he said: "If I cut the price, even though the Steel Corporation may not follow it, nevertheless, if I can get $28 a ton on a lesser amount of product and make $4 a ton it is better than to make only $2 on a smaller amount of product"?

Mr. GAYLEY. Are you speaking of the steel makers or the railroads?

Mr. GARDNER. The rail maker. For example, we will suppose—what would be the product of the Maryland Steel Co., for example; what is their capacity in rails?

Mr. GAYLEY. One thousand tons a day.

Mr. GARDNER. We will suppose that they can make it for $24—it does not make any difference, call it $24. Now, they say:

Our share is only 500 tons. If we cut the price from $28 to $26 then we can sell 1,000 tons, but we will only make $2 a ton on each of those 1,000 tons, whereas if we adhere to the $28 price we will make $4 a ton. Of course, it is a good deal cheaper for us to produce 500 tons than to produce 1,000 tons, and we will make just as much money.

Did you ever hear any proposition stated at all in that way?

Mr. GAYLEY. No. The proposition is not clear to me. As I understand your question it is that it would be no more profitable to cut the price and get a thousand tons than, under the other view, to make 500 tons a day with double the profit. The maker is making no more money, and he is wasting his raw material and wearing his machinery out without making any more profit.

Mr. GARDNER. That is what I meant to ask. In your opinion, is that true that that was the controlling reason?

Mr. GAYLEY. It would have been no advantage to the maker to have doubled his product and make the same amount of money and exhaust his valuable raw material, which later on he could not turn into more profit.

Mr. GARDNER. Probably he said to himself:

What is the use of making a thousand tons when I can get a relatively greater amount of profit by making 500 tons, and I will be just as well off or better off in the long run.

Is that your view?

Mr. GAYLEY. He would be quite as well off.

Mr. GARDNER. Did not the very fact that a rail maker reasoned that way show that he was aware that the purchasers of steel rails would award him a contract for 500 tons?

Mr. LINDABURY. Let me call the examiner's attention to the fact that Mr. Gayley has not testified that he reasoned that way. He does not know how they reasoned. The question assumes that the witness has stated, as a matter of fact, that men did reason that way, which I suggest he has not done.

Mr. GARDNER. My question was whether he had heard of anyone who reasoned that way. I am not positively sure that he answered that in the affirmative.

Mr. GAYLEY. I simply looked at it from the standpoint of what would appeal to the rail makers as the best proposition.

Mr. GARDNER. As a matter of fact, do you know any instance where it did appeal to them?

Mr. GAYLEY. I do not not. I am simply answering your question from my experience in connection with the steel business.

Mr. GARDNER. That is, a rail maker would say to himself, "I know that the railroads will apportion their orders for rails according to our product, and therefore it will pay me to restrict my product and get a larger price for it," and the question I asked you, to which Mr. Lindabury objected—and I think very properly, if you had not previously answered in the affirmative—was if that was so, did it not suggest an agreement among the railroads to prorate their orders?

Mr. GAYLEY. I can not imagine that that is the case, Mr. Gardner, from this fact: That during these periods of price cutting in rails, which generally began as a matter of retaliation, there were very few changes in the tonnage of rails or in placing of orders by the railroads. The railroads place orders with the makers where they are used to place them for years; and a rail mill ordinarily has among the substantial lines of the railroads in this country a special lot of customers. Certain railroads, as I said the other day, distribute their tonnage among two or three mills in a certain proportion, and other trunk lines do the same.

Mr. GARDNER. In your opinion, so long as the maker of rails adheres to the $28 price, is he in any danger of having the proportionate share of his orders cut down?

Mr. LINDABURY. I do think, if the examiner please, that it is not a question for this witness, because this witness appears never to have had any connection with the selling department of any steel works; and I can not see, therefore, that he can have any information that is worth any more than you or I, or any of the public, on this question, and I suppose that you would not think his opinion of value unless he had special knowledge. For this reason I do not object further than to make the suggestion to the examiner that, if he still thinks this witness has shown any knowledge which makes his opinion worth taking on that subject, I will not persist in the objection.

Mr. GAYLEY. I have no knowledge whatever of there being any apportioning of the steel rail requirements of the country.

Mr. BARTLETT. There is no question about an agreement being made some time in 1897 to 1899, between all the makers of steel rails, as to the price?

Mr. YOUNG. In what year, Mr. Bartlett?

Mr. BARTLETT. From 1897 to 1899.

You have already testified that there was an agreement as to the price of steel rails amongst all of the manufacturers of steel in the United States, fixing the price at $28?

Mr. GAYLEY. I have testified that $28 was determined on as the price.

Mr. BARTLETT. Between whom?

Mr. GAYLEY. The makers and the railroads.

Mr. BARTLETT. All the makers and the railroads?

Mr. GAYLEY. Yes, sir.

Mr. BARTLETT. That was prior to the formation of the United States Steel Corporation?

Mr. GAYLEY. It was.

Mr. BARTLETT. That agreement, whether made in writing or verbal, or a mutual understanding—what was the penalty, if anything, if violated?

Mr. GAYLEY. I can not tell you; I do not know. I have already stated that I was not a party to the making or carrying out of any agreement.

Mr. BARTLETT. The keeping of the price at $28 has generally been observed by the rail makers, has it?

Mr. GAYLEY. Since 1901.

Mr. YOUNG. Now, Mr. Gayley, we will return to the subject of these Gary dinners. You have stated that you attended the first one. When was the next one you attended?

Mr. GAYLEY. The next one—I will just give them to you for 1908—January 30, 1908, April 2, 1908, and December 10, 1908.

Mr. YOUNG. There were three that year?

Mr. GAYLEY. Yes, sir.

Mr. YOUNG. And you attended all of them?

Mr. GAYLEY. I did.

Mr. YOUNG. What was the subject of the discussion at those dinners?

Mr. GAYLEY. It occupied a very wide range, a very wide range.

Mr. YOUNG. Did it include the subject of prices?

Mr. GAYLEY. I never heard prices mentioned at one of those dinners.

Mr. YOUNG. You mean by that that you never heard a definite price talked of for billets or bars or plates or anything of that kind?

Mr. GAYLEY. That is it.

Mr. YOUNG. The general subject, however, of prices was discussed at these dinners in 1908, was it not?

Mr. GAYLEY. Very little. It was discussed at the first dinner. The range of topics touched on was very wide. For instance, there were various committees appointed—committees on the abolition of Sunday labor, committees on the care and safety of workingmen, and I remember the speaker at one time devoted himself to the ship subsidy bill. It covered a wide range of topics. At subsequent dinners there was reference made to the publicity that was given to each and every one's views and their understanding to be frank and open with each other, how well it worked out, in practice, and what benefit it had been to securing business always in the open.

Mr. YOUNG. Was not the subject discussed of the importance of avoiding ruinous competition?

Mr. GAYLEY. As I said, it was stated that the stability of relations amongst the steel companies was advantageous and could not but help be advantageous. It had done something which is extremely valuable in any industry. It had brought the various heads of steel corporations to know each other personally. That was a great advantage.

Mr. YOUNG. Judge Gary in his testimony spoke of one of the objects to be attained by these dinners, and that was a knowledge by each of what the others were doing. I think he used that phrase, the means of knowing what the others were doing. Well, now, under that general head, did you discuss the amount which each concern was producing in the different lines?

Mr. GAYLEY. Oh, I never heard that.

Mr. YOUNG. Was there any discussion as to the price?

Mr. GAYLEY. I never heard any discussion there of details of manufacturing or selling.

Mr. YOUNG. Now, you attended the dinners after 1908?

Mr. GAYLEY. No; I did not.
Mr. YOUNG. The latter dinners you did not attend?
Mr. GAYLEY. I was no longer a director or officer of the corporation.
Mr. YOUNG. When did you cease to be?
Mr. GAYLEY. The last dinner in December, 1908.
Mr. YOUNG. Your connection ended?
Mr. GAYLEY. My connection with the corporation ceased; I resigned and retired on January 1, 1909.
Mr. YOUNG. Since that time have you had any official connection with the corporation?
Mr. GAYLEY. No; none whatever.
Mr. YOUNG. You stated just before the examination closed the other evening when you were on the stand that your duties as vice president related to the raw products in which the company was dealing?
Mr. GAYLEY. Yes, sir.
Mr. YOUNG. Will you tell us a little more specifically and at large just what those duties were and what they included?
Mr. GAYLEY. They included primarily the procuring and assembling at the works of the raw material, and that meant a supervision of their mines, their coal interests, and the limestone, their railroads, and steamships, simply a general supervision in order to insure their working together in harmony in the vast amount of material necessary for the use of the corporation's works.
Mr. YOUNG. You had works in a good many different places?
Mr. GAYLEY. We did.
Mr. YOUNG. And you had supervision, among other things, of seeing that the raw material was assembled at the right places and in the right quantities for each plant?
Mr. GAYLEY. And in the right grades.
Mr. YOUNG. Who had the immediate supervision of the ore-mining properties?
Mr. GAYLEY. Mr. T. F. Cole was president of the Oliver Iron Mining Co., which looked after all the operating.
Mr. YOUNG. Were all of the ore-mining operations of the Steel Corporation conducted through the Oliver Iron Mining Co.?
Mr. GAYLEY. They were.
Mr. YOUNG. In the very early days a part of that was done through the Minnesota Iron Co., was it not?
Mr. GAYLEY. The Federal Steel Co.—perhaps I did not understand your question.
Mr. YOUNG. In the earliest days of the Steel Corporation?
Mr. GAYLEY. No. As soon as possible after the organization of the Steel Corporation the Oliver Iron Mining Co. became the operating company.
Mr. YOUNG. But that did not occur immediately, did it?
Mr. GAYLEY. No; naturally.
Mr. YOUNG. It took a little time?
Mr. GAYLEY. As soon as it could be made effective.
Mr. YOUNG. Is Mr. Cole still in charge of those mining operations?
Mr. GAYLEY. No; he is not.
Mr. YOUNG. Who is?
Mr. GAYLEY. Mr. W. J. Olcott.
Mr. YOUNG. His office is in Duluth?
Mr GAYLEY. In Duluth.

Mr. YOUNG. He now has charge of all of the ore-mining operations?

Mr. GAYLEY. He has.

Mr. YOUNG. Do you know what Mr. Cole's address is?

Mr. GAYLEY. Duluth, Minn.

Mr. YOUNG. Who had charge of the operations of the Duluth & Iron Range Railroad?

Mr. GAYLEY. Mr. F. E. Hughes.

Mr. YOUNG. And who had charge of the operations of the Duluth, Missabe & Northern Railway?

Mr. GAYLEY. Mr. Olcott was president and Mr. W. A. McGonigal was vice president, and I think he is now president.

Mr. YOUNG. Mr. Hughes is still in charge of the Duluth & Iron Range?

Mr. GAYLEY. Of the Duluth & Iron Range Road.

Mr. YOUNG. Who had charge of the fixing of the rates?

Mr. GAYLEY. When?

Mr. YOUNG. During the time that you were in charge of the business of the Steel Corporation—the rates on these two railroads?

Mr. GAYLEY. They were fixed a long time before.

Mr. YOUNG. I call your attention to a publication entitled The Iron Ores of Lake Superior, compiled by Crowell & Murray, chemists and metallurgists, of Cleveland, Ohio, and published by the Penton Publishing Co., of Cleveland, in 1911. Is this regarded as a reliable source of statistical information?

Mr. GAYLEY. It depends upon where he got his data.

Mr. LINDABURY. That has not been introduced before, has it, or referred to?

Mr. YOUNG. No. I have referred to it once or twice.

Mr. LINDABURY. Oh, did you?

Mr. YOUNG. Yes.

Mr. GAYLEY. You want to know what?

Mr. YOUNG. I want to know if it is a reliable source of information? The tables to which I refer you especially are on pages 24 and 25, relating to rates.

Mr. LINDABURY. I suppose the primary question would be whether he is acquainted with the book. If he never heard of it before——

Mr. YOUNG. I will ask that in a moment.

Mr. LINDABURY. Is it something well recognized?

Mr. YOUNG. Those tables are the same tables that are used by everybody. I happen to have them in there, and do not have them in anything else.

Mr. LINDABURY. I do not know anything about it.

Mr. YOUNG. They are the same tables which occur in all the publications on the subject.

Mr. GAYLEY. The rates——

Mr. LINDABURY. That is not quite the question. The question is as to whether this is authentic, or the tables are reliable—if you know, of course?

Mr. GAYLEY. I can only say that these rates since 1900, as I note them here, are the rates that prevailed.

Mr. LINDABURY. What page are you referring to?

Mr. GAYLEY. Page 24.

Mr. YOUNG. What about the rates on page 25, as to lake transportation?

Mr. GAYLEY. I presume these are likewise correct, and represent the prevailing rates from the various upper-lake ports to lower-lake ports.

Mr. LINDABURY. Do you recognize any of them, Mr. Gayley?

Mr. GAYLEY. Yes; I do.

Mr. LINDABURY. You recognize some of them as correct?

Mr. GAYLEY. Oh, yes.

Mr. YOUNG. Then I will offer these two tables—one on page 24 and one on page 25.

(By request, the stenographer placed his initials, "P. E. B.," on each of the pages referred to.)

Mr. YOUNG. The table on page 24 is a table of the rail freights on iron ore from the mines to lake shipping points.

Mr. LINDABURY. Where?

Mr. YOUNG. They include the Marquette Range, the Menominee Range, the Gogebic Range, the Mesabi Range, and the Vermilion Range. The tables on page 25 refer to the lake freight rates on iron ore from the ports named to Lake Erie. The ports named are Escanaba, Marquette, Ashland, and the other ports at the head of Lake Superior, which include Duluth, Superior, and Two Harbors.

Mr. LINDABURY. What period of time is covered by the tables?

Mr. YOUNG. The tables begin in 1855, and end—the rail freight—in 1909 and the lake freight in 1910.

(The tables referred to are as follows:)

Rail freights on iron ore from the mines to Lake shipping points.

Years.	Marquette Range.		Menominee Range, Escanaba.	Gogebic Range, Ashland.		Mesabi and Vermillion Ranges.				
	Marquette.	Escanaba.		Wisconsin Central R. R.	Chicago & North Western R. R.	Duluth.	Superior.	Ely.	To Two Harbors from—	
									Lower Soudan.	Other points.
1855	$3.00									
1856	1.27									
1857	1.27									
1858	.87									
1859	.87									
1860	1.09									
1861	1.09									
1862	1.09									
1863	1.09									
1864	1.09									
1865	1.10									
1866	1.10	$1.55								
1867	1.10	1.80								
1868	1.10	1.80								
1869	1.10	1.85								
1870	1.10	1.85								
1871	.95	1.70								
1872	.84	1.70								
1873	.84	2.00								
1874	.84	2.00								
1875	.65	1.25								
1876	.55	1.15								
1877	.55	1.15								
1878	.55	1.15								
1879	.55	1.15								
1880	.55	1.25								

***Rail freights on iron ore from the mines to Lake shipping points*—Continued.**

Years.	Marquette Range.		Menominee Range, Escanaba.	Gogebic Range, Ashland.		Mesabi and Vermillion Ranges.				
	Marquette.	Escanaba.		Wisconsin Central R. R.	Chicago & North Western R. R.	Duluth.	Superior.	Ely.	To Two Harbors from— Lower Soudan.	To Two Harbors from— Other points.
1881	$0.55	$1.25	.....	.....	.....	.....	.....	.....	.....	.....
1882	.55	1.25	.....	.....	.....	.....	.....	.....	.....	.....
1883	.55	1.10	.....	.....	.....	.....	.....	.....	.....	.....
1884	.40	.80	.....	.....	.....	.....	.....	.....	.....	.....
1885	.45	.80	.....	.....	.....	.....	.....	.....	.....	.....
1886	.55	.80	.....	.....	.....	.....	.....	.....	.....	.....
1887	.55	.80	$0.85	$0.80	$0.80	.....	.....	.....	.....	.....
1888	.45	.70	.75	.70	.70	.....	.....	.....	.....	.....
1889	.45	.70	.75	.70	.70	.....	.....	.....	.....	.....
1890	.45	.70	.....	.70	.....	.....	.....	.....	.....	.....
1891	.45	.70	.70	.65	.65	.....	.....	.....	.....	.....
1892	.40	.65	.70	.65	.65	$0.80	$0.80	$1.00	$0.90	$0.80
1893	.40	.65	.70	.65	.65	.80	.80	1.00	.90	.80
1894	.32	.52	.70	.52	.65	.80	.80	1.00	.90	.80
1895	.32	.52	.52	.52	.52	.80	.80	1.00	.90	.80
1896	.32	.52	.52	.52	.52	.80	.80	1.00	.90	.80
1897	.32	.52	.52	.45	.52	.80	.80	1.00	.90	.80
1898	.32	.40	.45	.40	.45	.80	.80	1.00	.90	.80
1899	.25	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1900	.25	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1901	.25	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1902	.25	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1903	.25	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1904	.25	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1905	.32	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1906	.32	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1907	.32	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1908	.32	.40	.40	.40	.40	.80	.80	1.00	.90	.80
1909	.32	.40	.40	.40	.40	.80	.80	1.00	.90	.80

Lake freight rates on iron ore from ports named to Lake Erie.

Years.	Escanaba.	Marquette.	Ashland and other ports at head of Lake Superior.
1855	.....	$3.00	.....
1856	.....	3.00	.....
1857	.....	2.67	.....
1858	.....	2.09	.....
1859	.....	2.00	.....
1860	.....	2.00	.....
1861	.....	2.21	.....
1862	.....	2.89	.....
1863	.....	3.19	.....
1864	.....	3.37	.....
1865	.....	3.28	.....
1866	$3.77	4.17	.....
1867	3.28	2.98	.....
1868	2.44	3.11	.....
1869	2.43	3.21	.....
1870	2.40	3.06	.....
1871	2.07	2.83	.....
1872	2.50	3.59	.....
1873	2.74	3.44	.....
1874	No shipment.	3.84	.....
1875	No shipment.	2.87	.....
1876	No shipment.	2.54	.....
1877	No shipment.	1.40	.....
1878	.85	1.26	.....
1879	1.07	1.61	.....
1880	1.77	2.50	.....
1881	1.55	2.25	.....
1882	1.22	1.50	.....
1883	1.11	1.30	.....

Lake freight rates on iron ore from ports named to Lake Erie—Continued.

Years.	Escanaba.	Marquette.	Ashland and other ports at head of Lake Superior.
1884	$0.98	$1.21	.....
1885	.84	1.01	$1.20
1886	1.16	1.35	1.49
1887	1.49	1.75	2.11
1888	.97	1.22	1.34
1889	1.00	1.14	1.29
1890	.99	1.16	1.26
1891	.74	.96	1.05
1892	.87	1.06	1.20
1893	.70	.85	.88
1894	.58	.70	.79
1895	.64	.83	.96
1896	.61	.80	.91
1897	.45	.60	.63
1898	.48	.60	.61
1899	.72	.84	.95
1900	.85	.94	1.05
1901	.62	.74	.84
1902	.59	.68	.76
1903	.63	.78	.83
1904	.54	.61	.70
1905	.60	.70	.76
1906	.60	.70	.75
1907	.60	.70	.75
1908	.50	.60	.65
1909	.50	.60	.65
1910	.50	.60	.65

(Mr. Gayley started to compare portions of the above-mentioned tables with a table in his possession.)

Mr. YOUNG. Have you another table there?

Mr. GAYLEY. This is from the Marine Review, and that is the same thing. It is accurate.

The CHAIRMAN. Were these rates charged by the subsidiary companies of the United States Steel Corporation fixed or established about the time of the Hill leases?

Mr. GAYLEY. These railroad rates in Minnesota?

The CHAIRMAN. Yes, sir.

Mr. GAYLEY. Long before.

The CHAIRMAN. They were first charged by the Great Northern, were they, or are they approximately the same rates charged by the Hill roads that ran from these ranges to Lake Superior?

Mr. GAYLEY. The Hill road charged the same rates when it began operations that were then in force on the Duluth, Missabe & Northern and on the Duluth & Iron Range.

The CHAIRMAN. The Hill roads operated first, before your roads were constructed?

Mr. GAYLEY. Oh, no; long afterwards.

The CHAIRMAN. Which were the first roads constructed?

Mr. GAYLEY. The first road was the Duluth & Iron Range; then the Duluth, Missabe & Northern; then the Hill road bought the old Wright & Davis lumber road, and connected down to Duluth, long afterwards.

Mr. LINDABURY. Would you mind letting him give the dates when each of them started, as nearly as he can recall?

The CHAIRMAN. Yes; I should like to have them.

Mr. LINDABURY. About when did the first one start—within 5 or 10 years? It is a good while ago.

Mr. GAYLEY. Yes; it is a good while ago.

Mr. YOUNG. The shipments will show when operations began. They did not begin until the road was constructed.

Mr. LINDABURY. I think that is so, Mr. Young.

Mr. GAYLEY. I can supply those.

Mr. LINDABURY. No; I think Mr. Young's suggestion covers it.

The CHAIRMAN. That is all I wish to ask.

Mr. YOUNG. I think we put in those shipments.

The CHAIRMAN. I would suggest that at this point the committee adjourn until 2 o'clock. Some of the members want to get to the House.

Mr. YOUNG. Very well.

(The committee thereupon took a recess until 2 o'clock p. m.)

AFTER RECESS.

The CHAIRMAN. Mr. Young, Mr. Kellogg wishes to make a statement before the committee, and if you will kindly consent, as Mr. Kellogg is a very busy man, we will hear him immediately. It will take but a few minutes, and then we will resume. Will that suit you?

Mr. YOUNG. It does not make any difference to me. It is a matter of accommodating Mr. Gayley.

The CHAIRMAN. Mr. Gayley, will you kindly consent to that?

Mr. GAYLEY. Certainly.

The CHAIRMAN. I will say to Mr. Gayley that we are not putting Mr. Kellogg on because his business is more important than Mr. Gayley's, but Mr. Gayley will be here for some time, anyway, and Mr. Kellogg will only be needed for a few minutes.

STATEMENT OF MR. FRANK B. KELLOGG.

Mr. KELLOGG was duly sworn by the chairman.

The CHAIRMAN. I did not summon Mr. Kellogg; I simply wrote him a letter requesting him to come before the committee, and he has kindly consented to do so. Mr. Kellogg, do you wish to make some statement? Is so, make it now, if you like.

Mr. KELLOGG. Only that my reason for wanting to go on to-day is that I am appearing for the Brotherhood of Locomotive Engineers and Railway Firemen to-morrow, and I must go home to-morrow afternoon. I am appearing for them before a commission appointed by the President to consider a bill for compensation of railway employees, and I must leave to-morrow.

The CHAIRMAN. Mr. Kellogg, you are the attorney for the Duluth & Iron Range Railroad Co.?

Mr. KELLOGG. Yes, sir; myself and my firm have been for 23 or 24 years.

The CHAIRMAN. What other railroads operating between the Mesabe Range and the Lake Superior region do you represent?

Mr. KELLOGG. For some years myself and firm have represented the Duluth, Missabe & Northern.

Mr. BARTLETT. You say "for some years"—before 1901, I suppose you mean?

Mr. KELLOGG. Not for the Missabe; for the Missabe Co. since, I should say, 1902. I do not remember the exact date, Mr. Chairman; but in the case of the Iron Range Railroad, off and on we have been their counsel for 20 years, I should say; perhaps longer.

The CHAIRMAN. I do not wish to inquire into any of the confidential relations existing between yourself and your clients, but the chairman's purpose in asking you to come before the committee was to facilitate as much as possible a statement of the exact status of these railroads with reference to the Railroad Commission of the State of Minnesota. I am under the impression, from my cursory reading of the report of the Railway and Warehouse Commission of 1901, that the State of Minnesota has attempted to take some supervision over the rates charged by those roads, and that those roads demurred to the jurisdiction of the State on the ground that they were interstate carriers. If you will kindly, without any revelation of the confidential relations existing between you and your client, explain the situation, we should appreciate it.

Mr. KELLOGG. The chairman is very kind. May I take those books to refresh my memory?

The CHAIRMAN. Certainly. [Handing the books to Mr. Kellogg.]

Mr. KELLOGG. The chairman is very kind, but I do not think there are any relations that are confidential that I would object to disclosing to the committee, and answering any questions you may desire to ask me.

About 20 years ago, I think—it may have been 23—I have not refreshed my memory on this at all except to get these books yesterday—myself and my firm, Davis, Kellogg & Severance, were retained by the Duluth & Iron Range Railroad and the Minnesota Iron Co. That is a road reaching the iron region, with docks at Two Harbors, in the State of Minnesota. At that time I think they had steamship lines extending to Lake Erie and Michigan ports, although I never represented the steamship lines, and only knew about that from hearsay.

About 1897 a suit was instituted by some one—I can not remember who now—to question the ore rates on the Duluth & Iron Range Railroad, and my firm defended it; I think principally myself. It was dismissed and never came to final judgment.

Mr. BARTLETT. You mean a suit before the commission of Minnesota?

Mr. KELLOGG. The Minnesota Railway Commission; yes, sir. Again about 1900—I think it was 1900; the record is in the report of the Minnesota Railway Commission for the year 1900 or 1901, I am not sure which——

Mr. LINDABURY. That is 1901 on the back.

Mr. KELLOGG. I will look at the other one, then. Yes; it is in the report for the year 1900. The commission then undertook of its own motion to investigate those rates, and did make an order reducing them, I think, 10 cents. The 80-cent rate was reduced to 70, and the dollar rate to 90, I think. You will correct me from the record if I am not right. That applied both to the Mesabi and to the Iron Range. I did not at that time, nor did my firm, represent the Missabe Road.

Both roads objected to the jurisdiction of the commission on the ground that the ore hauled was hauled in interstate commerce, and

that the Interstate Commerce Commission alone had jurisdiction. After a hearing—I am not sure whether I argued that or my partner (the only doubt is that I say it was started in December, 1900, and I was then laid up with a broken arm; but it does not make any difference; either I or my partner argued it)—the commission held (and the pages of the report are in a statement which I have filed there, which I will not repeat now; you may use that as a part of the record) that the ore hauled by the railroads destined to points beyond the State was interstate commerce, and they had no jurisdiction over it; but if there was any ore hauled to the docks destined for points in the State it was intrastate commerce, and they had jurisdiction over it, and required us to file tariffs; and my recollection is that they filed tariffs. Subsequently tariffs were filed, or perhaps at that time—I do not remember about that—with the Interstate Commerce Commission. That ore that is hauled, is hauled in the same way to-day as it was then, and it is hauled in interstate commerce, and the Interstate Commerce Commission had jurisdiction, and the roads in that regard are engaged in interstate commerce.

Mr. LITTLETON. Do they file their reports or any documents or papers with the Interstate Commerce Commission, Mr. Kellogg?

Mr. KELLOGG. Oh, I presume they do. I have never had anything to do with that.

Mr. LITTLETON. They would ordinarily?

Mr. KELLOGG. They would ordinarily. I have no doubt the commission can give you that.

Mr. LINDABURY. It is our information that they have.

Mr. KELLOGG. I do not know; I presume they do.

Mr. LINDABURY. That is our understanding.

Mr. LITTLETON. Mr. Gary, on the third day of his examination, referred to that matter.

The CHAIRMAN. It is hardly practical to read this statement. I will ask that it be inserted in the record.

Mr. LINDABURY. I would be glad if it could be read aloud, so that we could know what it is.

Mr. KELLOGG. I have no objection.

Mr. LINDABURY. I will read it if the chairman wishes.

The CHAIRMAN. There is no objection to reading it.

(Mr. Littleton then read aloud the statement submitted by Mr. Kellogg, which is as follows:)

NEW WILLARD HOTEL,
Washington, D. C., June 12, 1911.

Hon. A. O. STANLEY,
Chairman Committee on Investigation
of the United States Steel Corporation,
House of Representatives, Washington, D. C.

MY DEAR MR. STANLEY: I am sending you by the bearer a report of the Minnesota Railway Commission for 1900 and 1901, two volumes. You will find, on pages 48 to 53 of the report for 1900, a proceeding instituted by the Railroad and Warehouse Commission of Minnesota on its own motion to investigate the ore rates on the Duluth, Missabe & Northern Railway and the Duluth & Iron Range Railroad. The result was that the commission found that the rates of 80 cents, 90 cents, and $1 per ton from various points upon the range were unreasonable and that 60, 70, and 80 cents would be reasonable rates, and the commission directed tariffs to be filed. (See p. 52 of the report for 1900.) The railroads refused to comply with this order on the ground that the

iron ore shipped to the docks at Two Harbors and Duluth was shipped in interstate commerce and that the commission had no jurisdiction. After a hearing the commission held that all said ore shipped to points without the State through the docks was interstate commerce and the commission had no jurisdiction over the same, but held, in substance, that if there was any ore shipped to the docks destined for local points in Minnesota the roads should file a tariff. As a matter of fact, there was no such ore. If you will look on pages 28 to 34 of the report of the Minnesota Railroad and Warehouse Commission for 1901 you will find the order of the commission. The substance of the order is that—

"It appearing to the commission that all ore shipped over said road from the mines or stations along its line of railway within the State to points without the State of Minnesota is interstate commerce, and as to this traffic the commission claim no jurisdiction. As to all shipments of ore from the mines or stations along the line of said railroad within the State to the ore docks at Two Harbors (destined to points within the State) is not interstate traffic, and over such shipments the commission claim jurisdiction."

The commission thereupon made an order that for local shipments tariffs be filed. One commissioner, Judge Mills, held that, there being no such local shipments, it was unnecessary to file tariffs; but the commission was unanimous that all ore shipped through the docks to points outside the State was interstate commerce. A like order was made in the case of the Duluth, Missabe & Northern Railway.

I am informed that the railroads have filed their tariffs upon this ore with the Interstate Commerce Commission. There is no question, therefore, that these lines are engaged in interstate commerce.

These reports belong to the Interstate Commerce Commission. Will you please see that they are returned?

Very respectfully, yours, FRANK B. KELLOGG.

Mr. KELLOGG. I adopt that as my testimony.

The CHAIRMAN. Mr. Kellogg, there seems to have been an impression—and that is the reason I wish to get this clearly before the committee—that these roads were not interstate carriers. That impression was for a long time shared by Judge Gary, the chairman of the board of directors of the United States Steel Corporation. I notice that on page 1572 of the Hearings before the Ways and Means Committee the following colloquy occurred:

Mr. COCKRAN. You have no advantage whatever in transportation, unless you should abuse your duty as a common carrier?

Mr. GARY. No.

Mr. COCKRAN. Of course you could give yourself an advantage?

Mr. GARY. Not under the present régime.

Mr. COCKRAN. I am mighty glad to hear that. That is the first adequate testimony I have heard as to the efficiency of the present inspection.

Mr. GARY. The Interstate Commerce Commission and the railroad commissioners of the various States—take Minnesota, for instance—are very strict in regard to the matter. There would not be much chance for us to discriminate against our neighbors in the matter of transportation.

Then it is discussed at some length. Judge Gary, toward the latter part of his appearance here, corrected that impression. I do not mean to question Judge Gary's good faith; but he seemed to be laboring at that time under a misapprehension as to the legal status of these roads. That misapprehension seems to have been shared by a good many people in authority.

Mr. LINDABURY. Mr. Chairman, may I suggest that Judge Gary mentions there both the Interstate Commerce Commission and the local commissions?

The CHAIRMAN. Oh, yes—in his testimony here.

Mr. LINDABURY. No; I mean in what you read just this moment.

Mr. YOUNG. That represents the exact status as I understand it to-day. The Interstate Commerce Commission has jurisdiction over

the interstate trade; the commission of Minnesota has jurisdiction over the trade that is confined to the State of Minnesota.

Mr. LINDABURY. Yes; that is the way I understand the judge's testimony before the Ways and Means Committee.

Mr. KELLOGG. I was not aware of the judge's testimony; I had never seen it; but there is no question about it that all the ore hauled is hauled in interstate commerce; and the Great Northern Road is an interstate road. It runs into Wisconsin.

The CHAIRMAN. At that time the State of Minnesota was claiming that it had a right to fix those rates?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. And those roads demurred to the jurisdiction of the railroad commission of the State of Minnesota, on the ground that they were interstate carriers?

Mr. KELLOGG. Yes, sir.

Mr. BARTLETT. Not only interstate carriers, but that the particular freight hauled was interstate commerce?

Mr. KELLOGG. Yes, sir.

Mr. YOUNG. That is the point.

The CHAIRMAN. Those roads at that time were subsidiary companies of the United States Steel Corporation?

Mr. KELLOGG. I do not think the Missabe road was. No; neither one was at that time. Well, I am not sure. In 1900——

Mr. LITTLETON. It had not been organized at that time.

Mr. KELLOGG. When was the steel company organized?

Mr. LITTLETON. In 1901.

Mr. KELLOGG. At the time the suit was brought or the proceedings instituted by the commission they were not, then. Possibly at the time it was decided they may have been.

Mr. YOUNG. What is the date of the decision?

Mr. KELLOGG. The date of the decision is November 11, 1901.

Mr. BARTLETT. Then they had been organized.

Mr. KELLOGG. They had? They were then, at that time; but there has never been any doubt about the question.

Mr. LITTLETON. Your firm is still counsel for these roads, is it, Mr. Kellogg?

Mr. KELLOGG. Yes, sir; my firm is still counsel for the roads and mines in Minnesota. Not the steamship nor other properties.

Mr. LINDABURY. Mr. Chairman, would you mind asking Mr. Kellogg whether, under the Minnesota law, their railroad commission has a right to intervene in proceedings before the Interstate Commerce Commission for the fixing of rates?

The CHAIRMAN. Oh, no; I do not mind asking it, but that is admitted.

Mr. KELLOGG. They have; there is no doubt about that.

Mr. BARTLETT. The Federal statute provides for that. The amended Hepburn Act provides for that.

Mr. KELLOGG. What was that question, please?

Mr. LINDABURY. As to whether or not, under the Minnesota statutes, the Minnesota Railroad Commission is empowered to intervene in proceedings before the Interstate Commerce Commission to fix railroad rates?

Mr. KELLOGG. Yes; they have that power.

The CHAIRMAN. Ores shipped to Duluth are not interstate commerce, are they?

Mr. KELLOGG. Ores shipped to Duluth?

The CHAIRMAN. Those which stop in Duluth.

Mr. KELLOGG. No; it is not interstate commerce. There is a little ore shipped to a furnace in West Duluth. I do not remember the name of it now. These gentlemen would know.

The CHAIRMAN. The Zenith furnace, I believe.

Mr. KELLOGG. Yes; the Zenith furnace.

Mr. YOUNG. Has not the Steel Corporation been building a steel plant at Duluth?

Mr. KELLOGG. Yes; they are building a steel plant at West Duluth, I believe.

Mr. YOUNG. Has it operated any as yet?

Mr. KELLOGG. I do not think so. I have never had anything to do with that plant. I only speak from general knowledge. I believe there is no question that they are building a steel plant there, and a very large one.

The CHAIRMAN. Your firm was attorney for this road on October 2, 1906, and October 29, 1907; was it not?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. And is now?

Mr. KELLOGG. And is now.

Mr. YOUNG. Is there anything further that you wish to state about the matter, Mr. Kellogg?

Mr. KELLOGG. Yes; if the committee will ask me questions, I will be very glad to answer them. There is nothing that I know that I am not willing to state to the committee.

The CHAIRMAN. We are quite sure of that, Mr. Kellogg.

Mr. LITTLETON. Mr. Kellogg, the attorneyship which your firm has had has covered a period of something like 20 years, you said?

Mr. KELLOGG. For the Iron Range Road, speaking from recollection now, the first cases we appeared in for the road were in the neighborhood of 22 or 23 years ago; I can not tell exactly. We were special counsel for years in important litigation, and general counsel—never in their offices, because they always had their regular counsel in their offices—and we have been ever since; yes, sir.

Mr. LITTLETON. Were you employed as what we know as "counsel" or as "attorneys"?

Mr. KELLOGG. I do not know whether you would call it "counsel" or "attorney." It is principally to appear in court in the argument of big cases and matters of importance of that kind.

Mr. LITTLETON. And that employment under those circumstances has continued up to the present time?

Mr. KELLOGG. Yes, sir.

Mr. LITTLETON. Both before the company went into the Steel Corporation and afterwards?

Mr. KELLOGG. Personally I have done very little for the last five years; I do not think anything, perhaps, to amount to anything. Perhaps I advised a little once in a while. I have been tied up in other matters.

Mr. LITTLETON. Were you ever employed at all by the Steel Corporation as such?

Mr. KELLOGG. As such? No, sir.

Mr. LITTLETON. Do you know whether your employment after these subsidiary companies went into the Steel Corporation was substantially looked after by the Steel Corporation or by the subsidiary companies themselves?

Mr. KELLOGG. I understand that all matters of importance of the railroads and mines up there come under the jurisdiction of the United States Steel officials; that is, they either have to O. K. them or disapprove them. I do not know the exact regulations in regard to that, except that any bills we presented, I think, that amounted to more than $10,000 for a number of years would have to be approved by the Steel Co. itself wherever the services were performed. I think our services were always in relation to local properties in Minnesota and Wisconsin and Michigan.

Mr. LITTLETON. Did you at times present bills in excess of the $10,000 which required their approval?

Mr. KELLOGG. Oh, yes.

Mr. LITTLETON. I would not ask you these questions as a lawyer; I am assuming now——

Mr. KELLOGG. Well, what is the point? I want to answer anything.

Mr. LITTLETON. There is no point about it, except that you are here and you wanted the opportunity to state the relationship fully; and I would not ask you these questions as a lawyer about your bills or fees, of course, unless you had said at the outset that you wanted to make a statement about the whole thing.

Mr. KELLOGG. Yes; well, now, let me state this: I think there has been a good deal said, and I have heard it, about my connection with the steel company and my connection with the Government; and I will explain that. In the first place, I have no apologies to make, either. I have explained my only connection with the steel company. I have performed services for local corporations in Minnesota and argued causes. I think just prior to 1906 I argued a big case involving the mineral leases of Minnesota—involving many million tons of ore and millions of dollars, directly and indirectly. I think I presented a bill for $15,000, and I think that had to be approved and was approved by the Steel Co. I do not know whether the check came from them or some one else. It is a long while ago, and I have not refreshed my memory.

Mr. BARTLETT. You are a practicing lawyer?

Mr. KELLOGG. Yes. I want to say that since 1907 I have given my time to the Government in the Standard Oil case. During that time I have done very little, if any, other business. My firm is practicing law, and so am I; and we are taking legitimate business, and I intend to do so. I do not make any apologies to the American people or anybody else for being attorney for corporations or individuals. I would not make that statement but for insinuations that have been made—not from the committee; I have been treated with very great respect by your committee.

Mr. LITTLETON. I understand that your object in making the statement is that there have been statements going about, of which you have become aware, which would operate in some minds as criticism of your having been employed by this concern at the same time or in conjunction with or at the time you were employed by the Government.

Mr. KELLOGG. Yes, sir.

Mr. LITTLETON. And I understand your object in making this statement is to take cognizance of that matter?

Mr. KELLOGG. Yes, sir. That is right. I am only special counsel in the case for the Government, in the same way any lawyer is hired. During the time of my employment with the Government or before or since, I have never defended one of the trusts or corporations charged by the Government with violating the Sherman Act or advised in the defense. I never organized one of the trusts nor advised with anybody in the organization of one. I have never mentioned any of the trusts to any public official in the way of advising an action under the Sherman law, except the paper trust, the Standard Oil case and the Union & Southern Pacific, nor have I advised any public official not to bring an action against any trust or combination under the Sherman Act. I wish to make this as broad as possible.

Mr. LITTLETON. You were employed, Mr. Kellogg, to prosecute the action against the Standard Oil Co.?

Mr. KELLOGG. Yes, sir.

Mr. LITTLETON. And your employment began and ended there, and your relation with the Government, I take it?

Mr. KELLOGG. It commenced when I commenced the case, and ended when I finished the argument in the Supreme Court of the United States last winter.

Mr. LITTLETON. You did not have any appointment from the Government to represent it generally as attorney, of course?

Mr. KELLOGG. No, sir; just specially in that case; and I assisted in the argument of one other case—the Union Pacific case.

Mr. LITTLETON. In order that you may make yourself as broad as you want to be made in the matter, I direct your attention to the fact—if it is a fact—that in October, 1907, you also presented and collected a bill through these subsidiary companies, which went to the Steel Co. and was finally O. K'd by them. Was that the last service you had—active service?

Mr. KELLOGG. Oh, I should think so. I do not think after that I did much of anything. I do not think I did as late as that. My firm still continued to act and do business for them right along, but personally, I mean. About that time—I should say it was before that—I argued that mineral-lease case, but you will remember this has not been brought to my attention, and I should have to get the exact dates. I will give them to you, if you desire.

Mr. LITTLETON. It is fair for the committee to say, I think, that there are some data here which show not that the work was done then, but that a bill was paid as late as October 29, 1907.

Mr. KELLOGG. $15,000; yes, sir; that is correct. That was for services in Minnesota, and I think it was in connection with that mineral-lease case. All sums that were paid in that way were paid for services in the local companies in Minnesota.

Mr. LITTLETON. These payments were known as extra compensation to you. I suppose by that you mean that you had been employed as special counsel to do the work?

Mr. KELLOGG. Yes, sir. In a big suit we would present a bill for it. It was called extra compensation. It had to be approved by the Steel Co., I think.

Mr. LITTLETON. Were you ever asked or consulted by the Government during your relations with it or by any department of the Government regarding the legality of the organization of the Steel Corporation?

Mr. KELLOGG. Never; or by anybody else. I never mentioned it to any Government official, nor did any Government official mention it to me, as far as I know.

Mr. LITTLETON. Did you ever have any other employment by the Government except in the Standard Oil case?

Mr. KELLOGG. No; except the Union Pacific case. Oh, yes; I argued the Paper Trust case for Mr. Knox, when he was Attorney General. I do not remember the date of the argument, but I should say it was in 1896, perhaps, in the Supreme Court of the United States. I do not remember the exact date. I shall have to get that for you. Those three cases are the only employment I ever had for the Government and they were special retainers.

Mr. LITTLETON. Has your attention ever been directed by any Government official to, or have you ever been asked any opinion regarding, the legality of the present organization of the United States Steel Corporation?

Mr. KELLOGG. No, sir; and I have never expressed any. I have never been asked nor have I expressed any.

The CHAIRMAN. I wish to say for the chairman of the committee—although it is unnecessary to state it—that it is not the intention of this committee to investigate or to express any opinion as to the propriety of any attorney's action, either for the Government or for the United States Steel Corporation. The chairman of this committee endeavored to be especially courteous to the gentleman who is now before it.

Mr. KELLOGG. He has been so.

The CHAIRMAN (continuing). Because he was an eminent lawyer, and was employed, I thought, at that time, in a quasi-public capacity; and for that reason, although a great many men, eminent gentlemen, like Judge Gary and Mr. Gayley, and the like, were subpœnaed, no subpœna was issued for Mr. Kellogg. I simply sent him a written request, which I made as courteous as possible, leaving it to the gentleman as to whether he would appear or not, and then advising him in advance what I wanted. I believe I have asked you about nothing, Mr. Kellogg, that I did not previously notify you I would ask you about, with your consent.

Mr. KELLOGG. That is absolutely correct; and I have no complaint to make to the committee. It has been very courteous. I am very glad to appear. I am glad to have this opportunity. As to my employment by the Government, I have a right to take cases, and I have taken cases for and against corporations for years; and I intend to do so.

The CHAIRMAN. We are not questioning that right.

Mr. KELLOGG. I have a right to do it. I do not wish—although I have a legal right to do so—to appear and argue on the other side of any question that I have argued in the Supreme Court. I know my position. I know my rights legally. I know my duties legally, ethically, and morally to my profession and to the people; and I propose to live up to them.

Mr. LITTLETON. I think it is fair for me to say that Mr. Kellogg has sent this statement here and these books, and I take it from the chairman that the committee were quite content to have his statement as to what this interstate-commerce question was, with the statement of the railroad commission.

Mr. KELLOGG. Yes.

Mr. LITTLETON. Mr. Kellogg came to me—although I do not know him very well—and spoke to me about it, and said that there had been some fugitive criticism of his action and it had not been crystallized in any way, and therefore he wished to withdraw the statement for the time being and be allowed voluntarily to come here and make his statement before the committee.

Mr. KELLOGG. Yes, sir.

Mr. LITTLETON. Because he did not wish to be put in a false position about it.

Mr. KELLOGG. The chairman told me what he wanted, asked me about it—which was very courteous—and I furnished him the information, but I preferred to come here and explain it personally.

Mr. YOUNG. Mr. Kellogg, your employment by the subsidiary companies of the Steel Corporation has been entirely open, known to all men throughout Minnesota?

Mr. KELLOGG. Yes, sir.

Mr. YOUNG. And throughout the Northwest generally, has it not?

Mr. KELLOGG. It has been known by everybody that knows me, I guess. Of course everybody does not know me. The Attorney General knew it.

Mr. YOUNG. No claim can be made that there was any concealment about it?

Mr. KELLOGG. I informed Mr. Knox, as Attorney General, just what my relations were. I was then general counsel for another railroad, which employment I resigned afterwards. I could not attend to it. I had this Standard Oil business on hand, and I had to resign a good many things. Everybody knew it, sir. There was no secrecy about it.

The CHAIRMAN. This committee is anxious to know in the most positive way from the highest possible sources the exact status of certain railroads, which, according to their own statements, are making 150 per cent profit and putting four or five millions of dollars into their surplus, when they have a capitalization of four or five million dollars. That may be all right or may not be. It is certainly unusual. The chairman of this committee, with perfect deference to high and low, will summon the President of the United States or J. Pierpont Morgan or any other official within the purview of its power to ascertain the truth, the whole truth, and nothing but the truth.

Mr. YOUNG. I would suggest, Mr. Chairman, that those two gentlemen ought to be subpœnaed, in my judgment.

The CHAIRMAN. You do not mean the President; you mean the ex-President?

Mr. YOUNG. I mean the ex-President.

Mr. DANFORTH. What was the date of the commencement of this proceeding in which the decision was handed down, I think, November 27, 1901?

Mr. KELLOGG. What was that question, please?

Mr. DANFORTH. You stated that a decision was rendered by the Minnesota Commission, I believe, November 27, 1901. What was the date of the commencement of that proceeding?

Mr. KELLOGG. I think it was December 21, 1900, that it began.

Mr. DANFORTH. In which the railroad demurred to the jurisdiction?

Mr. KELLOGG. Yes, sir. From that time to this I have never heard of any complaint about the rates. I had nothing to do with the earnings of the roads. I have never been an officer of them.

Mr. BARTLETT. If there were complaints to be made, or grounds existed for complaints, the Interstate Commerce Commission is not only open, but crowded by people who complain; is it not, Mr. Kellogg?

Mr. KELLOGG. Yes, sir. There is no question that they have jurisdiction. I have never heard it questioned.

Mr. BARTLETT. They not only have jurisdiction, but people who believe they are oppressed and who really are oppressed seek redress there. That is a body that is crowded with business.

Mr. KELLOGG. Yes, sir. I said I never heard of any complaint since then; I did hear the other day that this winter somebody had filed a complaint against the Great Northern. It is not one of these roads. I do not think he is a shipper of ore; but I am not sure.

Mr. BARTLETT. I will ask you if you know this: Most of the customers of these roads, the Ranges, are steel-producing people who are either subsidiaries of the Steel Corporation or independents? That is true; is it not?

Mr. KELLOGG. Yes. The larger part is their own ore; but I can not tell you the percentage of independents. They can furnish it to you, I have no doubt.

Mr. BARTLETT. It has been furnished, I think.

Mr. KELLOGG. Yes; I do not know as to that.

Mr. LINDABURY. I am told that there are, I think it is, 16 independents operating 30 mines. I think that is the figure. That is about right.

Mr. KELLOGG. I presume that is correct. I have no definite knowledge as to that.

Mr. BARTLETT. One question further. I understand you to say that you have never been consulted—and I ask this question simply because of what you said—by the Government, or anyone else, as to whether the United States Steel Corporation had violated the law?

Mr. KELLOGG. No, sir.

Mr. BARTLETT. Or that the Government had contemplated any proceedings against it as a violator of the antitrust law?

Mr. KELLOGG. No, sir; I never have.

Mr. BARTLETT. And so far as you know, or so far as the public knows, there has never been any proceeding by the Government begun or contemplated, unless it has been contemplated at a very recent time; has there, so far as you know?

Mr. KELLOGG. There has been none begun; I know nothing about whether it has been contemplated or not. It has never been discussed with me. Of course, I do not represent the Steel Co. in this hearing, or in any hearing, on that question at all.

Mr. BARTLETT. I understand that.

Mr. KELLOGG. I have never argued any but the trust cases that I have mentioned.

Is that all, gentlemen?

The CHAIRMAN. That is all. We are very much obliged to you.

Mr. KELLOGG. Anything further that you wish I will be very glad to give you. May I have a copy of my testimony? As I did not know about this until yesterday, I might have some dates wrong; but in the main I think it is correct.

(The chairman directed that Mr. Kellogg be furnished with a copy of his testimony for revision before it was printed.)

STATEMENT OF JAMES GAYLEY, ESQ.—(Continued.)

Mr. YOUNG. Mr. Gayley, you are familiar with the development of the ore business in the Lake Superior region, in a general way?

Mr. GAYLEY. Yes. My first visit there was in 1888.

Mr. YOUNG. Where did the mining of ore begin in the Lake Superior district? On what one of the ranges?

Mr. GAYLEY. On the Marquette.

Mr. YOUNG. And at how early a date?

Mr. GAYLEY. About 55 years ago.

Mr. YOUNG. What was the next range to be developed?

Mr. GAYLEY. The Menominee.

Mr. YOUNG. And do you remember when that development began?

Mr. GAYLEY. No; I can not give you the date. I am unable to give you the date.

Mr. YOUNG. It was in the eighties, was it not?

Mr. GAYLEY. Yes.

Mr. YOUNG. And the next range?

Mr. GAYLEY. The Gogebic. That was in the eighties, too.

Mr. YOUNG. What was the next range?

Mr. GAYLEY. The Vermilion, in northern Minnesota.

Mr. YOUNG. About when was that?

Mr. GAYLEY. That was around about 1884, I think.

Mr. YOUNG. What was the next range to be developed?

Mr. GAYLEY. The Mesabi.

Mr. YOUNG. About when was that?

Mr. GAYLEY. In the early nineties.

Mr. YOUNG. Over what railroads does the ore on the Marquette Range reach the lake ports?

Mr. GAYLEY. It reaches Lake Superior over the Duluth South Shore, Lake Superior & Ishpeming.

Mr. YOUNG. Over what roads does it reach Lake Michigan ports?

Mr. GAYLEY. Over the Chicago Northwestern.

Mr. YOUNG. What properties has the Steel Corporation on the Marquette Range?

Mr. GAYLEY. Principally the Lake Superior mines.

Mr. YOUNG. That is a three-quarters interest?

Mr. GAYLEY. A three-quarters interest; and the Queen group of mines—a three-quarters interest—and they have other properties there.

Mr. YOUNG. The Champion?

Mr. GAYLEY. The Champion; and they have other ore-bearing territory which is not opened up.

Mr. YOUNG. Did they formerly have a lease on the Negaunee mine?

Mr. GAYLEY. They still have, I believe.

Mr. YOUNG. On the Negaunee mine?

Mr. GAYLEY. Oh; I was thinking of the Queen group at Negaunee. Yes; that lease has expired.

Mr. YOUNG. And the property has gone into other hands?

Mr. GAYLEY. The property has been acquired by the Cleveland Cliffs Iron Co.

Mr. YOUNG. Over what railroads do the ores on the Menominee Range reach the Lakes?

Mr. GAYLEY. The Chicago Northwestern.

Mr. YOUNG. At what point do they reach the lakes?

Mr. GAYLEY. At Escanaba.

Mr. YOUNG. What properties of the Steel Corporation are on that range?

Mr. GAYLEY. Principally the Aragon and Chapin mines, the Iron River mines, and I believe they still have some at Crystal Falls.

Mr. YOUNG. They have an interest in the Pewabic at Iron Mountain?

Mr. GAYLEY. That is an old interest, through the Carnegie Steel Co.

Mr. YOUNG. Over what roads do the ores on the Gogebic Range reach the lakes?

Mr. GAYLEY. The Chicago Northwestern and Wisconsin Central.

Mr. YOUNG. And at what point do they reach the lakes?

Mr. GAYLEY. At Ashland.

Mr. YOUNG. What properties has the Steel Corporation on that range?

Mr. GAYLEY. They have the Norris group of mines and the Aurora, and then beyond, at Bessemer, they have the Tilden mines.

Mr. YOUNG. What other companies besides the United States Steel Corporation, if you know, own operating mines upon the Marquette Range, and what are they?

Mr. GAYLEY. The Cleveland Cliffs and the—I have forgotten the name of the mine, but it is owned by Jones & Laughlin.

Mr. YOUNG. Lake Angeline?

Mr. GAYLEY. Lake Angeline.

Mr. YOUNG. And the Cambria, and the Republic?

Mr. GAYLEY. The Cambria and the Republic are also there; and there are a number of smaller operations.

Mr. YOUNG. The Republic mine belongs to the Cambria, does it not?

Mr. GAYLEY. Yes.

Mr. YOUNG. Then the Republic Iron and Steel Co. also operate some mines at Negaunee?

Mr. GAYLEY. Yes.

Mr. YOUNG. The Steel Corporation formely owned or leased the Hartford mine at Negaunee?

Mr. GAYLEY. They did.

Mr. YOUNG. Has that lease expired?

Mr. GAYLEY. It has expired.

Mr. YOUNG. Who is operating the property now? It is the Republic Iron and Steel Co., is it not?

Mr. GAYLEY. Yes; I believe it is.

Mr. YOUNG. On the Menominee Range, what other companies besides the Steel Corporation are operating mines?

Mr. GAYLEY. There are a number of small operations there. Pickens, Mather & Co. have some properties; Norton & Co., of Cleveland, and other firms; and the Canadian works at the Soo have an interest in a mine.

Mr. YOUNG. Is not the Penn Iron Co. a branch of the Cambria on that range?

Mr. GAYLEY. The Penn Iron Co. is on that range, too.

Mr. YOUNG. Are Corrigan, McKinney & Co. operating on that range?

Mr. GAYLEY. At Crystal Falls; yes.

Mr. YOUNG. And on the Gogebic, what other companies besides the steel company are interested and operating there?

Mr. GAYLEY. The Cleveland Cliffs Iron Co., and Slessinger has a large mine.

Mr. YOUNG. Slessinger has the Newport?

Mr. GAYLEY. The Newport mine; and on beyond, Jones & Laughlin had some property when I visited there; and then on beyond that Corrigan, McKinney & Co. had some properties.

Mr. YOUNG. For what purpose was the Duluth & Iron Range Railroad built?

Mr. GAYLEY. Built to carry ore from the Vermilion Range to Lake Superior.

Mr. BARTLETT. Which road is that?

Mr. YOUNG. That is the Duluth & Iron Range.

Mr. BARTLETT. Is that the same as—oh, yes; the Duluth & Iron Range.

Mr. YOUNG. This is not the Missabe. That is another one. By what corporation was that built, if you remember?

Mr. GAYLEY. By the Minnesota Iron Co.

Mr. YOUNG. That is, they owned the stock?

Mr. GAYLEY. They owned the stock of it.

Mr. YOUNG. That was a good many years before the organization of the steel company?

Mr. GAYLEY. A long time.

Mr. YOUNG. Now, we come to the Missabe. By whom was the Duluth, Missabe & Northern Railway built?

Mr. GAYLEY. I have for the moment forgotten.

Mr. YOUNG. Do you remember some gentleman named Meritt?

Mr. GAYLEY. By the Meritts; yes. Afterwards it was secured by the Rockefeller interests.

Mr. YOUNG. Did you know anything——

The CHAIRMAN. What is that?

Mr. YOUNG. We are talking about the Duluth, Missabe & Northern. I am simply getting the history of it.

The CHAIRMAN. I did not catch it.

Mr. YOUNG. Do you remember, or did you know, anything about the negotiations between the Meritts and the Minnesota Iron Co., through Mr. Selwood and Mr. Porter, for the purchase of the control of their entire interests in the Mesabi Range, long previous?

Mr. GAYLEY. I did not.

Mr. YOUNG. Do you know anything about the trade by which Mr. John D. Rockefeller acquired an interest?

Mr. GAYLEY. I do not.

Mr. YOUNG. In that property?

Mr. GAYLEY. I do not.

Mr. YOUNG. Your first knowledge of it was at the time it was acquired by the Steel Corporation?

Mr. GAYLEY. No; my first knowledge, my first acquaintance with it, was when it was managed by the Rockefeller interests.

Mr. YOUNG. Who had local charge of the property at that time?

Mr. GAYLEY. Mr. Olcott.

Mr. YOUNG. Who is now the president of the Oliver Iron Mining Co.?

Mr. GAYLEY. He is.

Mr. YOUNG. W. J. Olcott?

Mr. GAYLEY. W. J. Olcott.

Mr. YOUNG. He would be familiar, then, with the entire history of the property and its character and extent?

Mr. GAYLEY. I presume so.

Mr. YOUNG. Has there been any material growth during the last 20 years in the extent of the known bodies of ore in the Lake Superior district?

Mr. GAYLEY. Tremendous.

Mr. YOUNG. What?

Mr. GAYLEY. Tremendous.

Mr. YOUNG. Tremendous. During that time all of the ranges except the Marquette have been discovered?—perhaps a little over 20 years, well, about 25 years, say?

Mr. GAYLEY. In about 25 years; all, except, I would say, the Marquette—the Marquette and perhaps part of the Menominee.

Mr. YOUNG. What can you say as to the growth of the known bodies of ore in that district since the organization of the Steel Corporation?

Mr. GAYLEY. The growth of——

Mr. YOUNG. Of the known bodies of ore.

Mr. GAYLEY. The growth of the known deposits of ore since the formation of the Steel Corporation has largely consisted in the development through exploration of ore bodies that were known to exist; principally that.

Mr. YOUNG. Has not the Mesabi, for instance, been extended westward a considerable distance beyond what was supposed to be its limits at that time?

Mr. GAYLEY. It was known to extend there. The development of the individual ore bodies was not determined.

Mr. YOUNG. What was the state of the iron-ore business during the years from 1893 to 1898, inclusive?

Mr. GAYLEY. In what respect?

Mr. YOUNG. As to prosperity or otherwise.

Mr. GAYLEY. Well it had its periods of ups and downs, the same as it always had.

Mr. YOUNG. Did it have any ups in those years?

Mr. GAYLEY. I think it had, without looking at the record.

Mr. YOUNG. Is it not a fact that throughout a large portion of that time many of the best properties were closed?

Mr. GAYLEY. Taking the old-range ores as a basis, in 1893 they were reduced; in 1894, further reduced.

Mr. YOUNG. Yes.

Mr. GAYLEY. In 1895 there was an appreciation, and in 1896 they were high.

Mr. YOUNG. Yes. In 1896 came the first recovery?

Mr. GAYLEY. The first recovery.

Mr. YOUNG. Then there was a setback in 1897, was there not?

Mr. GAYLEY. In 1897 and in 1898, during the time of the low rail price.

Mr. YOUNG. During those years the shipments from the Mesabi Range were comparatively small, were they not?

Mr. GAYLEY. Oh, yes.

Mr. YOUNG. The real development was just beginning there?

Mr. GAYLEY. Just beginning. The mines were just being opened up.

Mr. YOUNG. And is it not true that on the old range such great lands as the Cleveland Cliffs property at Ishpeming, the Chapin and the Aragon absolutely closed down and quit?

Mr. GAYLEY. What year was that?

Mr. YOUNG. 1893; the fall of 1893.

Mr. GAYLEY. I think it was closed down.

Mr. YOUNG. And is it not true that the Aragon and Chapin, a year or two after that, were closed out by the receiver? The Aragon was sold for——

Mr. GAYLEY. The Chapin was, and I think likewise the Aragon.

Mr. YOUNG. The Chapin was sold for $130,000 to Mr. Hanna, was it not?

Mr. GAYLEY. I think that was about the price.

Mr. YOUNG. And that was a property which contained many millions of tons of iron ore?

Mr. GAYLEY. It did.

Mr. YOUNG. Now, from that time on has there been any increase in the value of ore properties?

Mr. GAYLEY. Oh, greatly; greatly.

Mr. YOUNG. And to what is that due?

Mr. GAYLEY. It is due to the fact, primarily, that the steel-producing interests owned very few properties. They bought from ore merchants; but about that time they began the acquisition of steel properties on the various ranges.

Mr. YOUNG. Has there not also been a very large increase in value owing to the further development of the properties and increased knowledge as to what they contain?

Mr. GAYLEY. Naturally so.

Mr. YOUNG. I think Mr. Gayley stated that about 50 per cent of the ores in the Lake Superior district were owned by the Steel Corporation and about 50 per cent by the independents.

Mr. LINDABURY. You mean Mr. Gary's statement?

Mr. YOUNG. Mr. Gary, I should have said. Is that about correct, in your judgment?

Mr. GAYLEY (examining a book). I am just looking for a table here to give it to you accurately. Mr. Willard Hayes, of the Geological Survey, estimates that the mines in Michigan and Minnesota have in reserve about three and a half billion tons of ore.

Mr. YOUNG. Of merchantable quality?

Mr. GAYLEY. That is understood to be the available gross tons of merchantable ore; and the Steel Corporation estimate, the estimate of their books is, one and three-quarter billions, which is 50 per cent.

Mr. LITTLETON. One and three-quarter billions?

Mr. GAYLEY. 1,750,000,000 tons.

Mr. YOUNG. Was this estimate of one and three-quarter billions made under your general supervision?

Mr. GAYLEY. No; part of it was.

Mr. YOUNG. What is that?

Mr. GAYLEY. Part of it.

Mr. YOUNG. Part of it?

Mr. GAYLEY. Part of it.

Mr. YOUNG. Who had charge of making that estimate?

Mr. GAYLEY. Well, it was made by the officials of the Oliver Iron Mining Co.

Mr. YOUNG. Was that during the time when Mr. Cole was president?

Mr. GAYLEY. I think it was.

Mr. YOUNG. And about how much of that is on the Mesabi?

Mr. GAYLEY. By far the greater portion. I can not tell you in tonnage.

Mr. YOUNG. As much as one billion and a quarter of tons?

Mr. GAYLEY. I should think so. It is very hard to estimate what you really have on what we call the older ranges like in Michigan on account of the difference in the ore formation.

Mr. YOUNG. Will you describe that so that the committee will understand it—the differences as to those?

Mr. GAYLEY. The ore formation in Michigan, and likewise on the Vermilion Range, is a regular vein formation.

Mr. YOUNG. A what?

Mr. GAYLEY. Vein formation—the ore vein dipping at an angle, with a well-defined hanging and foot wall, and it is very difficult to make estimates for a long time ahead on what your reserves are. On the Mesabi Range the deposits are horizontal, with a covering of gravel drift, so that it is very easy to go through that drift. It may be from 5 feet to 100 feet in depth. You can, by driving through that overburden mark out the limits of every deposit with practical certainty and estimate the tonnage of iron that is contained in each one of them.

Mr. YOUNG. What are the differences, if any, in the character of the ores on the Mesabi and the other ores in the Lake Superior district?

Mr. GAYLEY. The difference is largely a physical difference. The ores on the Michigan ranges, some of them, are lump ore, like rock, and the so-called soft ores; whereas the Mesabi ores are extremely fine and contain a large proportion of very finely granulated ore—a great deal more so than the soft ores of the other ranges.

Mr. YOUNG. Does this cause any difference in their use, or in their value, and in the methods of treatment?

Mr. GAYLEY. For a long time the Mesabi ores were severely penalized on acount of their structure. As time goes on and the people have learned to utilize these fine ores to greater advantage, they find that they can to-day utilize them about as well as the softer ores of the old range.

Mr. YOUNG. About what percentage of mineral—that is, of the iron—is contained in what are known as the first-class Lake Superior ores?

Mr. GAYLEY. Well, to-day, from 56 to 60 per cent iron.

Mr. YOUNG. And about what percentage of the ores that are shipped from that region are first-class ores, running from 56 to 60 in iron?

Mr. GAYLEY. I can not tell you.

Mr. YOUNG. Some ores that are below 56 are shipped, are they not?

Mr. GAYLEY. Since the formation of the Steel Corporation, and a pretty definite knowledge of each ownership with regard to its ore reserves, there have been used very much lower grades. In fact, it has resulted in practically a conservation of ore reserves, and ores as low as 45 per cent have been mixed in and are being mixed in.

Mr. YOUNG. And in some few instances ores running below that, when they have some special quality?

Mr. GAYLEY. Ores running below that, that are very silicious and very low in phosphorous, but which are used for special purposes.

Mr. YOUNG. For what purposes are they used—those high silicious and low-phosphorous ores?

Mr. GAYLEY. They are used, practically, as a slag producer in the furnaces.

Mr. YOUNG. Are they used to mix with the Mesabis?

Mr. GAYLEY. To mix with the Mesabi ores. Ores have got to be mixed according to their chemical constituents, in order to work properly and to be economically smelted in the furnace.

Mr. YOUNG. I suppose that the low-grade ores of which you speak, the silicious ores, are a very small proportion of the total shipment?

Mr. GAYLEY. Very small.

Mr. YOUNG. But state whether or not it is true that there has been from the beginning of your acquaintance with the ore business a steady lowering of the mineral contents in the ore which could be used, so that you have been able to use from year to year lower grades of ore.

Mr. GAYLEY. There has been a constant dropping in the analysis or in the units of iron in the ore.

Mr. YOUNG. What has been the cause of that?

Mr. LINDABURY. That is not an answer to your question, and I fear the witness did not apprehend the question. You asked whether or not they could constantly use a lower grade, and he answered that the grade seemed to be continually lowering, as I understood it.

Mr. YOUNG. I think he meant the same thing. He seemed to me to answer my question.

What has enabled you to use these constantly lowering grades of ore?

Mr. GAYLEY. Necessity.

Mr. YOUNG. Anything else?

Mr. GAYLEY. Not that I know of.

Mr. YOUNG. Has necessity performed its usual function and been the mother of invention?

Mr. GAYLEY. Well, it has been the history of all ore districts that you use the richer ore first; and in my earlier visits to the Gogebic Range they were throwing ore with 56 per cent iron out on their dump piles because they had no market for it. Now they are glad to get

it. There is a great deal of ore up in the Lake Superior region that is pretty well defined as to tonnage, and it is the purpose of the steel interest to utilize every pound of that ore that can be utilized economically.

Mr. YOUNG. Are there or are there not very large bodies of ore in the Lake Superior district now, that are not commercially available because of the too low iron content?

Mr. GAYLEY. There are large quantities of ore-bearing formations throughout the State of Michigan that are not now available, but in the future will be available.

Mr. YOUNG. Yes. That runs into many hundreds of millions of tons?

Mr. GAYLEY. I presume it would.

Mr. YOUNG. Did you, while you had charge of the ore business for the Steel Corporation, keep informed as to the discoveries of iron ore throughout the United States and in foreign countries?

Mr. GAYLEY. I did.

Mr. YOUNG. What can you tell us as to the extent of iron ore deposits in States other than Michigan, Wisconsin, and Minnesota?

Mr. GAYLEY. There are large deposits of ore in New York State. Some of these deposits are very rich and extensive. There are vast deposits of ore of lower grade that can not be shipped without concentration, but which will be shipped in the future, and will be mined and will be concentrated, and will be available for conversion into iron products. New Jersey has large quantities——

Mr. YOUNG. Before you turn to New Jersey, let me ask you this: Where are these New York ores?

Mr. GAYLEY. The largest deposit is at Port Henry, on Lake Champlain, and then extending out through that region—the Adirondack region.

Mr. YOUNG. Does the Steel Corporation own any ores up there?

Mr. GAYLEY. The Steel Corporation acquired ore property there through the American Steel & Wire Co.—what is known as the Crown Point lands—some five or six, or perhaps more, thousand acres.

Mr. YOUNG. Have they ever operated it up to date?

Mr. GAYLEY. They have explored it, but the ore is not rich enough to ship without treatment—concentrating treatment.

Mr. YOUNG. Very well. Go on with your New Jersey deposits.

Mr. GAYLEY. The New Jersey formation, which used to be at one time near the center of the iron industry, located in the Lehigh and Schuylkill valleys, used to be the great source of the ore supply. There are large iron-bearing formations there of magnetite ores, which can and will be concentrated and agglomerated and shipped to the furnaces.

Mr. YOUNG. What is the character of that ore?

Mr. GAYLEY. Magnetite.

Mr. YOUNG. What other States have large bodies of ore?

Mr. GAYLEY. All down through the South—through the great valley of the Appalachian Range—there are deposits of brown hematites clear through to Alabama. There are large deposits in the West. Utah has about 150,000,000 tons that has never been touched. There are large deposits in Riverside County, Cal., and large deposits of brown hematites in Texas, which have not been used.

Mr. YOUNG. Has there as yet been much development in the western ores?

Mr. GAYLEY. Practically none in the far West, except in Wyoming, which supplies the Colorado Fuel & Iron Co.

Mr. YOUNG. Yes. Then, judging from the experience in other regions, immensely greater ore bodies will probably be discovered there than are yet known?

Mr. GAYLEY. I do not think there is any question of that.

Mr. YOUNG. What, if anything, do you know about ores in Canada?

Mr. GAYLEY. Canada is very poorly supplied with iron ores.

Mr. YOUNG. The ores so far discovered are of a very low grade?

Mr. GAYLEY. Of a very low grade, and need concentrating in order to enrich them.

Mr. YOUNG. They have one paying mine over there, I believe—the Helen?

Mr. GAYLEY. The Helen, at Michipicoten Harbor.

Mr. YOUNG. That is the only mine that pays?

Mr. GAYLEY. That is the only one I know of.

Mr. YOUNG. Up to date. Are you familiar with the property of the Tennessee Coal & Iron Co.?

Mr. GAYLEY. I know as to their ore reserves.

Mr. YOUNG. What can you say of them?

Mr. GAYLEY. They have, as to tonnage of ore, about 440,000,000 tons—that is, of ore tonnage; but that ore is a lean ore, and if you compare it——

The CHAIRMAN. I did not catch that. What is the tonnage of the Tennessee Coal & Iron Co.?

Mr. GAYLEY. Four hundred and forty million tons, but it is a lean ore.

The CHAIRMAN. I see the statement is made—I think there is one statement by the company and another by a gentleman who wrote to Mr. Munsey's magazine—that there were 720,000,000 tons of iron ore now located in the properties belonging to the Tennesse Coal & Iron Co.

Mr. GAYLEY. There may be that many tons or iron, but the tonnage that I know is a tonnage that is merchantable at this time. There are lots of ores on that property that are very lean and that may become merchantable in the far distant future; but I wanted to say that when you compare that ore with the Lake Superior ores it is only about two-thirds as rich, which would reduce the tonnage relatively to, say, 300,000,000 tons.

The CHAIRMAN. Pardon me, Mr. Young.

Mr. YOUNG. Go ahead.

The CHAIRMAN. When you speak of tonnage in the ore regions of the Tennessee Coal & Iron Co., you are measuring it by the standard of 100 per cent of iron?

Mr. GAYLEY. No, no; simply a ton of ore material in weight, containing, as it does, about 37 per cent of iron as against the 56 per cent of the Lake Superior region.

Mr. YOUNG. Is that a Bessemer ore?

Mr. GAYLEY. Non-Bessemer.

Mr. YOUNG. Is there any Bessemer ore there?

Mr. GAYLEY. No.

Mr. YOUNG. Were you familiar with this property before its acquisition by the Steel Corporation?

Mr. GAYLEY. I knew about its ore reserves and its plant.

Mr. YOUNG. Did you ever—an officer of the Steel Corporation—contemplate the purchase of this property? Did you ever discuss it with other gentlemen in the company?

Mr. GAYLEY. I have.

Mr. YOUNG. When was that?

Mr. GAYLEY. About six months before it was acquired by the corporation. I recommended to Mr. Frick that it would be a good acquisition for the Steel Corporation, from the standpoint alone of its raw material. My department of the business was raw material. It was my business to strengthen in every possible way the Steel Corporation in its raw material reserve. Regarding it from the standpoint of raw material I suggested to him one day that it might be a valuable acquisition for the Steel Corporation.

Mr. YOUNG. Were you considering any special price on it at that time? Were you discussing any price?

Mr. GAYLEY. No. The question of the acquisition; the price that it should be acquired at was not in my consideration at that moment. Mr. Frick was absolutely opposed to it. He did not favor it at all, except that it could be gotten, as he stated at the time, at what he considered a fair price for the stock, which was very low.

Mr. BARTLETT. About how low?

Mr. GAYLEY. About $50 I think we were talking of at that time.

Mr. YOUNG. What was the price?

Mr. GAYLEY. The price that was mentioned was about $50.

Mr. BARTLETT. A share?

Mr. YOUNG. A share?

Mr. GAYLEY. A share.

The CHAIRMAN. What were the shares selling at at the time you were talking about buying?

Mr. GAYLEY. Considerably over par.

Mr. YOUNG. And par was 100?

Mr. GAYLEY. Yes. At that time I thought it was a good proposition.

Mr. YOUNG. At what price?

Mr. GAYLEY. A good proposition to get hold of as a raw-material reserve at about that price.

The CHAIRMAN. It was selling at about 140 then, was it not Mr. Gayley—about six months before it was acquired?

Mr. GAYLEY. I understand that the general understanding was that the price was forced up by a pool that had control of it.

The CHAIRMAN. Was that what the stock was bringing on the market? It has been stated here that the stock sold six months prior to the acquisition at 140. Is that correct? It has been stated that it was purchased at that price.

Mr. GAYLEY. I do not know that there were many transactions in it. It certainly was not there on account of its earning capacity.

Mr. YOUNG. Since that time have you formed a more favorable impression, after further knowledge, or otherwise?

Mr. GAYLEY. Well, I knew at that time all that I could know about its ore reserve.

Mr. YOUNG. Yes.

Mr. GAYLEY. There had been a committee, I think, a year before—a committee of experts—who had made a very careful examination of their coal and their ore reserves.

Mr. YOUNG. Yes.

Mr. GAYLEY. And it was known to a great many people. In the light of more recent developments it has not proven as good as I thought it would at that time.

Mr. YOUNG. Why is that?

Mr. GAYLEY. The enormous development of the Cuban field of iron ores, which were then just in their infancy. And there were a new set of problems presented with respect to that Cuban ore. It was different from the ores of this country—its work in the furnace, and so on—and it was new. Considering the large reserves of ore that are in Cuba, and which have since been made available, an expenditure of one-tenth of the money in some ore reserves in Cuba would have secured them a great deal more ore.

Mr. YOUNG. What is the character of that ore over there?

Mr. GAYLEY. The ore is extremely fine, almost like flour, and it is a very wet ore.

Mr. YOUNG. Is it not expensive getting that water out of it?

Mr. GAYLEY. No; that is not an expensive operation.

Mr. YOUNG. How much does it cost per ton?

Mr. GAYLEY. Well, the ore has to be agglomerated, and in the process of agglomeration that moisture is driven off, and the mere expense of driving the water off is small.

Mr. YOUNG. What do you mean by the process of agglomeration?

Mr. GAYLEY. Taking this flour and putting it into biscuits. [Laughter.]

Mr. YOUNG. Will you not describe what that process is, and what these biscuits are?

Mr. GAYLEY. There are various processes for doing it. The process they are now using is to put this ore into a long revolving kiln, through which a gas flame travels, and as this fine ore is turned around in this kiln it is cemented together, it is stuck together, by the heat. It gets up to almost a fusion point or adhesion point of the iron ore, and then that is agglomerated into balls. The advantage of that is that when it is put in the furnace it does not blow out the top with the gases.

The CHAIRMAN. What is the cost per ton of that agglomeration?

Mr. GAYLEY. I think it is now costing them, on the whole operation—and this is their primary installation—about $1 a ton.

The CHAIRMAN. One dollar a ton?

Mr. GAYLEY. Yes.

Mr. YOUNG. This is the first attempt, you say, to do that?

Mr. GAYLEY. This is their first installation. Oh, yes; they will be able to do it cheaper.

Mr. YOUNG. They will what?

Mr. GAYLEY. They will be able to do it cheaper.

Mr. YOUNG. How large are those Cuban deposits?

Mr. GAYLEY. I presume there are safely developed two billion tons.

Mr. YOUNG. Are there any other ores in Cuba besides this fine ore that you speak of?

Mr. GAYLEY. Yes, yes. There are ores on the south side of Cuba, owned by the Pennsylvania Steel Co. interests; and then the Bethlehem Steel Co. get their ores from Cuba. In fact, the Bethlehem, the Pennsylvania, and the Maryland steel companies are practically provided with ores from Cuba alone, although they probably have some long-time contracts which they have not worked out. But these ores are available for that district. They are even available as far west as Buffalo; and I think in a comparatively short time they will be available as far west as Pittsburg, in competition with Lake ores.

The CHAIRMAN. What is their metallic contents?

Mr. GAYLEY. Of the Cuban ores?

The CHAIRMAN. Yes.

Mr. GAYLEY. After being agglomerated, from 54 to 55 per cent.

Mr. YOUNG. About what percentage of moisture is there in them?

Mr. GAYLEY. Twenty-four per cent.

Mr. YOUNG. About what percentage of moisture is there in the Mesaba ores?

Mr. GAYLEY. Ten to eleven.

Mr. YOUNG. They have something over twice as much moisture; but, as I understand you, this process of agglomeration is not primarily for the removal of that moisture.

Mr. GAYLEY. No, sir; it is for agglomerating, and the moisture is removed during the process of agglomeration.

Mr. YOUNG. In other words, it is really a first process in the manufacture of the ore, is it not?

Mr. GAYLEY. No. In the manufacture of what?

Mr. YOUNG. In the manufacture of the ore into some finer product. It is the first step?

Mr. GAYLEY. It is a necessary step for the economical manufacture of iron from ore of that kind.

Mr. YOUNG. Yes.

Mr. GAYLEY. It is not done with all ores.

Mr. YOUNG. No; I understand that. But I mean, when you have done that these ores are advanced one step in manufacture?

Mr. GAYLEY. Not a bit.

Mr. YOUNG. Not a bit?

Mr. GAYLEY. No.

Mr. YOUNG. How do those ores lie, and what is the cost of mining there?

Mr. GAYLEY. They lie like the Mesabi ores, in flat deposits that come up to the grass roots.

The CHAIRMAN. Up to what?

Mr. YOUNG. Up to the grass roots. And how far from the water are they? How far are they from the ocean?

Mr. GAYLEY. Not very far; I think 15 or 20 miles. There are a good many deposits there, some of them closer and some farther away.

Mr. YOUNG. Do you know whether there are good harbors there?

Mr. GAYLEY. Yes.

Mr. YOUNG. From which they could be shipped?

Mr. GAYLEY. Yes.

Mr. YOUNG. Are the Pennsylvania, the Bethlehem, and the Maryland companies shipping those ores into the United States?

Mr. GAYLEY. They are.

Mr. YOUNG. Do you know about how much came in during 1910?

Mr. GAYLEY. I do not know how much was shipped in. They ship some in raw, but I was told that they are agglomerating about three-fourths of a million tons a year.

Mr. YOUNG. Has the Steel Corporation been procuring any ores over there?

Mr. GAYLEY. They have procured some.

Mr. YOUNG. Have they shipped any in?

Mr. GAYLEY. None at all.

Mr. YOUNG. You mean they have acquired some properties over there?

Mr. GAYLEY. They have acquired ore property in Cuba.

Mr. YOUNG. Have they done anything with it up to date in the way of exploration or development?

Mr. GAYLEY. They have only prospected it, I believe.

Mr. YOUNG. Have they mined or shipped any?

Mr. GAYLEY. No; I say they have only prospected it.

Mr. YOUNG. Do you know whether that can be easily reached from the water?

Mr. GAYLEY. I think so. I do not know the exact location. They acquired after I severed my connection with the corporation. I only know the fact of their having some there.

Mr. YOUNG. Do you know anything with regard to ores in South America?

Mr. GAYLEY. There are large deposits in Brazil—large deposits.

Mr. YOUNG. How large?

Mr. GAYLEY. Well, those deposits have not been prospected like the American deposits; but during my connection with the corporation we sent one of our mining engineers to examine them. I do not know the estimate that he made, but it was that there were extremely large deposits of ore.

Mr. YOUNG. Hundreds of millions?

Mr. GAYLEY. Well, hundreds of millions is a big lot of ore.

Mr. YOUNG. You can not remember?

Mr. GAYLEY. I do not recall now what his estimate was.

Mr. YOUNG. Do you know anything about the European deposits—the deposits in Norway and Finland and Sweden?

Mr. GAYLEY. There are large deposits in Sweden, in the Gellivare district; large deposits. Those are magnetite deposits, to be concentrated in a great degree. Then they have large deposits in Luxemburg and large deposits in Spain.

Mr. YOUNG. What would you say, from your knowledge of this subject, of the prospect of an ore famine in the future?

Mr. GAYLEY. There is no possibility of it.

Mr. YOUNG. Could you tell about what proportion of all of the known deposits in the United States the Steel Corporation owns or controls?

Mr. GAYLEY. That is a difficult question to answer. It would, in any event, be a rough guess. I would guess, approximately—I would say between 40 and 50 per cent.

Mr. YOUNG. Of all in the United States?

Mr. GAYLEY. No; that are now available, I thought you said.

Mr. YOUNG. Yes.

Mr. GAYLEY. Yes. I exclude all those out in the far West.

Mr. YOUNG. Yes. That is, you would exclude the Utah ores?

Mr. GAYLEY. Yes.
Mr. YOUNG. The California ores?
Mr. GAYLEY. Yes; and all west.
Mr. YOUNG. All the Rocky Mountain ores?
Mr. GAYLEY. All west, practically, of the Mississipi.
Mr. YOUNG. That would include the Texas ores, of course?
Mr. GAYLEY. Texas and Wyoming.
Mr. YOUNG. Now, a good deal has been said here about the large profits of the railroads running into the Minnesota district—the Duluth & Iron Range, and the Duluth, Missabe & Northern—especially the latter. About what is the tonnage of the Duluth, Missabe & Northern, if you know?
Mr. GAYLEY. During 1910 the Duluth, Missabe & Northern hauled 13,609,000 tons.
Mr. YOUNG. That was what year?
Mr. GAYLEY. That was last year.
Mr. YOUNG. 1910?
Mr. GAYLEY. Yes, sir.
Mr. YOUNG. And how much was hauled by the Duluth & Iron Range?
Mr. GAYLEY. Seven million and eighty-five thousand tons.
Mr. YOUNG. Do you know how much was shipped over the Great Northern Road that year?
Mr. GAYLEY. There were twenty-nine millions shipped from the Mesabi Range. Deducting the Vermillion Range shipping over the Duluth & Iron Range Railroad, 1,300,000 tons, would leave for these two roads 19,400,000 tons. The total shipments from the Mesabi, as given in these records, is 29,000,000 tons.
Mr. YOUNG. So there are about 10,000,000 tons?
Mr. GAYLEY. About 10,000,000 tons.
Mr. YOUNG. On the Hill road?
Mr. GAYLEY. On the Hill road.
Mr. YOUNG. Do you know how this tonnage compares with the gross tonnage, all kinds of freight, on any other roads? Have you made any comparisons?
Mr. GAYLEY. I have not.
Mr. YOUNG. Is there one or are there two tracks on the Missabe & Northern?
Mr. GAYLEY. It is principally a two-track road.
Mr. YOUNG. Principally a two-track road?
Mr. GAYLEY. Yes.
Mr. YOUNG. There are portions of it that have more, are there not?
Mr. GAYLEY. Oh, yes. They have to have large sidings, passing sidings, for their ore trades.
Mr. YOUNG. Is it not a fact that the real problem in mining in the Mesabi is not the mining, but the shipment of the ore—getting transportation for it?
Mr. GAYLEY. The mining is a simple matter compared with the transportation and the grading of the ores.
Mr. YOUNG. Do you know whether the capitalization of these roads as it has been stated correctly states the amount of money that has been put into them—whether it is less or more?
Mr. GAYLEY. The capitalization stated simply represents the stock that has been issued.

Mr. YOUNG. Yes.

Mr. GAYLEY. It does not represent anything like the amount of money that has been put into the property.

Mr. YOUNG. The railroad property, you mean?

Mr. GAYLEY. The railroad property.

The CHAIRMAN. You mean the physical cost of construction?

Mr. GAYLEY. And equipment, docks—the railroads' facilities for the handling of ore.

Mr. YOUNG. How did they get the money to do that, if it was not put in in the capital?

Mr. GAYLEY. It was charged to capital account, no doubt. The railroad takes its earnings and pays them as dividends to the Steel Corporation, and the Steel Corporation then authorizes various expenditures for improvements, for engines, and tracks, and docks, etc., and uses up large quantities of its earnings.

Mr. YOUNG. Would the Steel Corporation's statements, their annual statements, their annual reports, show what amount they had expended on those roads?

Mr. GAYLEY. I do not recall if they do.

Mr. YOUNG. A good deal of that money had been expended before the Steel Corporation bought the property, had it not? They were working the roads at the time?

Mr. GAYLEY. Those roads every year have a large amount of money expended on them—at least, during the time that I was connected with them.

Mr. YOUNG. Where can we find just exactly what has been expended there?

Mr. GAYLEY. The Steel Corporation can advise you, and will be glad to do it, no doubt.

Mr. YOUNG. Will their books show?

Mr. GAYLEY. I have no doubt of it. The railroad books will show.

The CHAIRMAN. The traffic men would have that information, would they not? The traffic sheets would show it?

Mr. GAYLEY. Oh, no.

The CHAIRMAN. What officer ought we to apply to for that information?

Mr. GAYLEY. Each of the railroads can advise you how much money——

The CHAIRMAN. I mean, to what officer of the road?

Mr. GAYLEY. To the president of the railroad.

The CHAIRMAN. Who is the president of that railroad?

Mr. YOUNG. That is Mr. House?

Mr. GAYLEY. Mr. House and Mr. Olcott.

Mr. BOLLING. I think probably that could be furnished to the committee directly from the office of the corporation, Mr. Chairman, at request, without difficulty.

Mr. LINDABURY. If you were to subpœna these men, they might not know what they were subpœnaed for, and they might not come with the figures.

The CHAIRMAN. It is my intention to get that information without the necessity of bringing those men to Washington, if I can. I want to get the information in the way which will least inconvenience the corporation.

Mr. LINDABURY. You would be likely to get it more accurately if furnished on request of the committee than if told from memory by some witness called.

The CHAIRMAN. I apprehend the reason this question was asked. There are certain facts where, if the witness can make a statement from memory and which is only approximately correct, it will obviate the necessity of analyzing complicated accounts. For instance, if the Mesabi Range were separated from Lake Superior by mountains and gorges and had to be crossed by special engineering, deep cuts, fills, and things of that sort, like the road running up the Royal Gorge, a simple statement of those physical difficulties would explain the conditions and would not necessitate putting the corporation to the trouble of furnishing that information.

Mr. LINDABURY. You have not gone into the gorges with the witness yet.

Mr. YOUNG. Now, state whether or not this Messabi Range——

Mr. BARTLETT (interposing). Mr. Young, the last report of the Steel Co. has an itemized statement, so far as the expenditures are concerned, of these railroads.

Mr. YOUNG. That is the expenditure for that year. What page is that?

Mr. BARTLETT. Page 9.

Mr. YOUNG. And that is the expenditure for that year.

Mr. BARTLETT. Transportation property, railroads, ordinary maintenance, and repairs, $9,337,563.23; extraordinary replacements, total, and so on. Mr. Lindabury suggests that if we want that information he can furnish it.

The CHAIRMAN. Did you furnish the reports to be incorporated in the hearing, as suggested.

Mr. BOLLING. I think Mr. Filbert is going through the testimony and will send those things all down.

Mr. YOUNG. At the time I was interrupted I was starting to ask you whether or not there is anything unusual in the location of the Missabe & Northern in regard to the amount of tonnage that is reached as compared with other railroads of the country?

Mr. GAYLEY. Anything unusual?

Mr. YOUNG. Yes, sir; in the amount of tonnage that it reaches.

Mr. GAYLEY. Well, it only reaches one kind of tonnage, and that is iron ore. That is the largest body of iron ore in the world which those roads in Minnesota run into.

Mr. YOUNG. So it has a very large tonnage?

Mr. GAYLEY. It has a very large tonnage by having provided at great expense facilities for taking care of that tonnage.

Mr. YOUNG. You are familiar with the manner in which the reports of the Steel Co. are gotten up—the reports themselves?

Mr. GAYLEY. I see their annual report.

Mr. YOUNG. I want to call your attention to page 9 and see what it means. I can hardly believe that it means what it says.

Mr. LINDABURY. Which year?

Mr. YOUNG. The year 1910. I find a heading, "Expenditures during the year 1910," and under the heading, "Transportation property, railroads, ordinary maintenance, and repairs," $9,337,563.23.

The CHAIRMAN. What page is that on?

Mr. YOUNG. On page 9.

The CHAIRMAN. The report for what year?

Mr. YOUNG. 1910.

The CHAIRMAN. This says $8,000,000.

Mr. YOUNG. $9,337,563.23. Extraordinary replacements, $1,656,-621.05, making a total of $10,993,184.28. Do you know whether that means exactly what it states there—ordinary maintenance and repairs, amounting to $9,000,000?

Mr. GAYLEY. I do not know.

Mr. YOUNG. That, I suppose, would include all the railroads owned by the company?

Mr. GAYLEY. I presume so.

Mr. LINDABURY. It undoubtedly does, Mr. Young.

Mr. GAYLEY. It includes all the railroads they have, I presume.

Mr. YOUNG. The books of the company, of course, would show how much was spent on each one of the roads?

Mr. GAYLEY. They would supply you, no doubt, with that information.

Mr. YOUNG. Do the docks of the Duluth and Two Harbors belong to the railroads?

Mr. GAYLEY. Each railroad has its own docks.

Mr. LINDABURY. Are we to understand that the committee requests, in addition to the information asked for a few moments ago, information as to the cost of the maintenance of each particular road?

Mr. YOUNG. I would like to have it.

Mr. LINDABURY. That is, a distribution of the item of $9,000,000?

Mr. YOUNG. I would like to find out how much money has been put into these roads altogether.

Mr. LINDABURY. Both in the way of maintenance and in the way of betterments. The other question was, What had been put in in the way of betterments, as I understood it. We will get you up a full statement, and if there is something more you want we will get that, too.

Mr. YOUNG. Some comparison has been made here between the rates of these companies on ore and coal, and it has been stated that the actual cost of transporting ore was less than the cost of transporting coal and that the rates on coal were lower than the rates on ore. Do you know whether that is true?

Mr. GAYLEY. They ought to be, but they are not. They ought to be, because coal is a back haul.

Mr. BARTLETT. Coal is what?

Mr. GAYLEY. A back haul.

Mr. YOUNG. What do you mean by that? Please explain it at length.

Mr. GAYLEY. I mean that the trend of traffic is toward the lake, and anything that will give you some freight back instead of hauling your cars empty is a back haul, and on all railroads that is so much gain. A back haul against the trend of traffic is ordinarily hauled cheaper, but the coal is not hauled cheaper, as I will show you, if you please.

Mr. YOUNG. Do you mean that the tonnage going east being so much greater than the tonnage going west that your cars have to go back empty?

Mr. GAYLEY. Going to the lake is the trend of the traffic—the cars loaded with ore.

Mr. YOUNG. Yes, sir.

Mr. GAYLEY. A great number of cars. Only a small percentage comes back loaded with coal.

Mr. YOUNG. Yes, sir.

Mr. GAYLEY. I think about 4 per cent of the tonnage of coal goes up to those mines compared with the ore coming down.

Mr. YOUNG. Yes, sir. The cars come back 96 per cent empty; is that the idea?

Mr. GAYLEY. Yes, sir.

The CHAIRMAN. Right at that point, How many cars do you haul from the mines to the lake in a train?

Mr. GAYLEY. That, of course, depends on the engine hauling. I will say from 20 to 35.

The CHAIRMAN. Do you not haul from 100 to 125 loaded cars from the Missabe Range to the lake?

Mr. GAYLEY. One hundred and twenty-five cars?

The CHAIRMAN. Yes, sir.

Mr. GAYLEY. Well, I have forgotten about that. It is not clear in my mind.

The CHAIRMAN. Is it not true that the only use you have for an engine between the Mesabi Range and Two Harbors is to set the brakes to hold them back on their way down hill from the Mesabi Range to the docks?

Mr. GAYLEY. That is not correct.

The CHAIRMAN. What is the elevation of the Mesabi Range above the level of the lake?

Mr. GAYLEY. The Mesabi Range is about 1,500 feet and the lake is about 600 feet.

The CHAIRMAN. What fall to the mile does that give you?

Mr. GAYLEY. That is not the way the railroads are built. I can not answer the question.

The CHAIRMAN. What grade has that railroad a mile?

Mr. GAYLEY. I do not know. The fact of the matter is that the Duluth, Missabe & Northern Railroad, coming into Two Harbors, reaches an ascending grade, which limits its load. It is the ascending grade on the road that limits the load, not the elevation of the starting point of the terminal of the road.

The CHAIRMAN. Do you mean to say that, if you turned a loaded car loose on the Duluth, Missabe & Northern, or on any other of the subsidiary companies of the United States Steel Corporation, at the point where it is loaded, that it would not run of its momentum into the lake?

Mr. GAYLEY. It would not go very far.

The CHAIRMAN. I am asking for information.

Mr. GAYLEY. To illustrate, take, for instance, the Iron Range Road, where at one time we made an observation, and as the caboose of one ore train was going over the crest of the hill you would see the nose of the engine of the succeeding train coming over the crest, the trains follow each other in that quick succession, going down the valley and over the crest and down the valley and over another crest.

The CHAIRMAN. I understand you have some elevations, but that for the greater length of the way it is like a prairie, isn't it, over that

Muskeag region until you get down to within a few miles of the lake; nearly four-fifths of the entire stretch between the Mesabi Range and the lake? There is a great deal of undulating plain, with a fall of 8 or 10 feet to the mile?

Mr. GAYLEY. The Missabe Northern Railroad has the most level ground to go over through the Muskeag Swamp. After they leave the swamps, then they strike an ascending grade before they get over the crest of the hill to the docks. That is the grade that limits the trainload.

The CHAIRMAN. Is that a steep elevation?

Mr. GAYLEY. I do not recall what the grade is at that point.

The CHAIRMAN. If you took 100 steel cars to Two Harbors and loaded 50 of them with coal, have you got an engine that could pull them back?

Mr. GAYLEY. I do not think there is any engine that could pull that many cars up the crest of the hill.

The CHAIRMAN. The incline over which they run from the mines to Two Harbors renders it impossible?

Mr. GAYLEY. Of loading cars?

The CHAIRMAN. Yes, sir.

Mr. GAYLEY. There is a large bluff in both cases back of the docks, and the railroads must go up to this plateau.

The CHAIRMAN. And it can not go up with the back haul?

Mr. GAYLEY. No, sir.

Mr. YOUNG. I do not understand that. It is entirely confusing to me, if it is not so to anybody else. As I understand it, the bluff near the docks goes up to the docks?

Mr. GAYLEY. Your question is not clear to me.

Mr. YOUNG. I understand you to say that when the trains come down off the range that they turn and run up-grade before going on to the docks?

Mr. GAYLEY. No, sir. Let me explain. Here [indicating] is the lake level.

Mr. YOUNG. Yes, sir.

Mr. GAYLEY. And back of the lake rises a bluff.

Mr. YOUNG. Yes, sir.

Mr. GAYLEY. And the ground descends on the other side of the bluff.

Mr. YOUNG. Descends westward?

Mr. GAYLEY. Northward, to be correct.

Mr. YOUNG. Do the trains coming from the range to the docks have to go up grade?

Mr. GAYLEY. They have to go up that grade to get to the crest of the bluff.

Mr. YOUNG. How long is that grade?

Mr. GAYLEY. I do not know. It is the amount of the grade there; that is the only thing; the length does not matter.

Mr. YOUNG. How far is that bluff from the docks?

Mr. GAYLEY. It begins within a quarter of a mile back of the docks to slope up.

Mr. LINDABURY. To the crest?

Mr. GAYLEY. The crest would be 4 or 5 miles back.

The CHAIRMAN. If you have a profile of that road I wish you would furnish it to the committee.

Mr. LINDABURY. There may be one somewhere, and if there is we will be glad to furnish it.

The CHAIRMAN. Do you know whether you have a profile of the road?

Mr. GAYLEY. Certainly; they can send a blue print.

Mr. YOUNG. Is this grade at this point, if you know, as great as any of the grades coming down toward Duluth? What I want to get is the per cent between the trains going each way.

Mr. GAYLEY. My recollection is not accurate enough to supply the information.

Mr. YOUNG. I want to call your attention to another subject.

Mr. DANFORTH. Will you allow me to ask a question?

Mr. YOUNG. Certainly.

Mr. DANFORTH. Suppose you started your trains from the mine, how far would it run by gravity on this road?

Mr. GAYLEY. I do not think very far.

Mr. DANFORTH. About how far?

Mr. GAYLEY. Well, I suppose a mile.

Mr. DANFORTH. Then there is an up grade?

Mr. GAYLEY. There is quite a lot of undulations in the tracks of all the mine roads. They do not go to the trouble of making a road like a trunk line. The object is to get there and get the ore out with the minimum amount of railroad construction.

Mr. DANFORTH. The line of road is about 20 miles?

Mr. GAYLEY. The line of road in one place is about 90, and another road about 100, as I recall.

Mr. DANFORTH. You say on this road that we are talking about, a train might run by gravity about 1 mile?

Mr. GAYLEY. I presume so; it is only a guess.

Mr. DANFORTH. And you would have to have power to elevate it over the obstructions?

Mr. GAYLEY. Oh, yes.

Mr. DANFORTH. Then it would go by gravity again for a distance and then meet another obstruction which would require power?

Mr. GAYLEY. Always.

Mr. DANFORTH. That is all, Mr. Young.

Mr. YOUNG. Something has been said, Mr. Gayley, about the advantage of the Steel Corporation in acquiring the Tennessee Coal & Iron Co., because of its open-hearth furnaces. Did the Steel Corporation have any other open-hearth furnaces?

Mr. GAYLEY. It had them long before the Tennessee Co. ever owned any.

Mr. YOUNG. I hold in my hand a book called Supplement to the Iron and Steel Works Directory, which we have used some in this hearing. Is that an authoritative work on the subject with which it deals?

Mr. GAYLEY. It is.

Mr. YOUNG. I find, beginning on page 60 of that list of properties and continuing for 11 pages "Open-hearth steel works," and I wish to call your attention to some of these:

South Works, American Steel & Wire Co. of New Jersey, works at Worcester.

Is that one of the Steel Corporation's properties?

Mr. GAYLEY. Yes, sir.

Mr. YOUNG. It is said to have three acid and four basic furnaces.

In Rhode Island I see the Washburn Wire Co. at Phillipsdale. Is that a Steel Corporation property?

Mr. GAYLEY. I do not think so; I do not know.

Mr. YOUNG. Is the American Tube & Stamping Co., Bridgeport, Conn., a Steel Corporation property?

Mr. GAYLEY. No, sir.

Mr. YOUNG. Is the American Bridge Co., of Pittsburg, a Steel Corporation property?

Mr. GAYLEY. Yes, sir.

Mr. YOUNG. That is stated to have 2 open-hearth steel plants in Pennsylvania, with 1 acid and 11 basic furnaces. Ambridge plant, at Ambridge: One acid furnace; steel castings. Pencoyd Iron Works, at Pencoyd: Eleven basic furnaces; ingots and castings.

The American Sheet & Tin Plate Co., Pittsburg. Is that a Steel Corporation property?

Mr. GAYLEY. It is.

Mr. YOUNG. It is stated to have two open-hearth steel plants in Pennsylvania, with nine acid and three basic furnaces; Wood's Works, two idle acid furnaces; and Vandergrift Works, seven acid and three basic furnaces.

The Carnegie Steel Co., Pittsburg. Is that a Steel Corporation property?

Mr. GAYLEY. It is.

Mr. YOUNG. That is stated to have 5 open-hearth steel plants in Pennsylvania, with 1 complete acid and 121 completed and 4 building basic furnaces; Clairton Steel Works, 1 acid and 11 basic furnaces. The Clairton Works is a part of the Steel Corporation?

Mr. GAYLEY. Yes, sir.

Mr. YOUNG. It is now operated as a part of the Carnegie Co.?

Mr. GAYLEY. Operated by the Carnegie Co.

Mr. YOUNG. The Duquesne Steel Works, 32 basic furnaces; Homestead Steel Works, 64 basic furnaces.

Mr. LINDABURY. Do you mean to confirm those figures?

Mr. YOUNG. I will when I get through. I called his attention to the book and he stated that it was reliable authority.

Mr. LINDABURY. I thought that he could hardly carry so many in his mind if you were going to ask him to confirm each one.

Mr. YOUNG. No. I will only ask him to confirm them in a general way.

Sharon Steel Works, 6 basic furnaces; and South Sharon Steel Works, 12 basic furnaces. Acid and basic ingots, also basic castings for the use of the company. And those are all Steel Corporation properties, are they?

Mr. GAYLEY. Yes, sir.

Mr. YOUNG. The Lorain Steel Co. at Johnstown—does that belong to the Steel Corporation?

Mr. GAYLEY. Yes, sir.

Mr. YOUNG. That is stated to have three acid furnaces; steel castings.

Now, I will call your attention to the Tennessee Coal, Iron & Railroad Co., of Birmingham: Two open-hearth steel works at Ensley, Ala., with 18 completed and 2 building basic furnaces: Ensley plant No. 1, 11 idle furnaces; Ensley plant No. 2, 6 completed and 2 building furnaces; and steel casting department, 1 furnace; ingots; also castings for the use of the company.

Do you know whether that is practically a correct statement as to the extent of the plant?

Mr. GAYLEY. I do not know.

Mr. YOUNG. The National Tube Works at Lorain, is that a part of the Steel Corporation?

Mr. GAYLEY. It is.

Mr. YOUNG. It is stated to have six fifty-gross-ton basic furnaces.

Is the Newburgh Steel Works, American Steel & Wire Co., a part of the Steel Corporation?

Mr. GAYLEY. It is.

Mr. YOUNG. That is stated to have one acid and five basic furnaces.

The Ohio Steel Works, Carnegie Steel Co., is that a part of the Steel Corporation?

Mr. GAYLEY. It is.

Mr. YOUNG. It is said to have 12 basic furnaces.

The South Works, the Illinois Steel Co., Chicago, works at South Chicago, is that a part of the Steel Corporation?

Mr. GAYLEY. It is.

Mr. YOUNG. That is stated to have one acid and 24 basic furnaces. So, Mr. Gayley, the basic furnaces obtained by the purchase of the Tennessee Coal & Iron properties were a small proportion of the basic furnaces all over the country?

Mr. GAYLEY. It was.

Mr. LINDABURY. Before you leave the subject of Minnesota railroads, I have prepared a couple of questions which I would like to have you ask the witness, if you do not mind.

Mr. YOUNG. I will ask him those questions now. This is a question by Mr. Lindabury:

Will you state the reason, if any, which makes these roads more expensive to operate than ordinary roads?

Mr. BARTLETT. Is not that an assumption that they are more expensive?

Mr. YOUNG. I put in the words "if any."

Mr. GAYLEY. The work that they do is different from any other roads that I know of, except those engaged in a similar line of work. These roads are different from any other roads in this country. They operate about seven months in the year. They take the ore from the mines, and these ores—in what we call in Minnesota the steam-shovel mines—the steam shovel goes along and cuts a swath of ore. That ore varies from time to time in grade, and as it varies in grade it varies in its adaptability for furnace, and it varies in its value, and it is very important to have these ores separated according to the grades. Over on the older ranges in Michigan this grading is all done in the mining. In these open-pit mines that is not done by the

mining companies. They do no grading or sorting or stock piling. They simply dig the ore out of the ground and place it on the railroad company's cars and the railroad company takes that ore to the docks, and very often it is compelled to replace for a long period of time the work that the mining company ordinarily does in stock piling its ore. It provides a stock pile on wheels or on the docks for the grades of ore as mined by these mining companies. In some cases they have held ore from three to four weeks in order that enough of a certain grade could be accumulated from an individual mine to make a cargo. That ore can not be distributed over the railroad, its cars, or its docks only in cargo lots, and this work of practically grading the ore and holding those grades in the stock pile is a work I know of no other railroad doing.

Mr. YOUNG. These ores are all marked by the mining company before loading.

Mr. GAYLEY. All what?

Mr. YOUNG. The grade is marked so that the railroad company when it receives it on its cars knows what grade it is?

Mr. GAYLEY. Yes, sir; from some mines—and there are some under the same ownership——

Mr. YOUNG. They have to hold them in order that they may get enough of one grade for a boatload?

Mr. GAYLEY. For a cargo load.

Mr. YOUNG. And you store them in the cars until there is enough of one grade to fill a boat?

Mr. GAYLEY. Either in cars or on the docks.

Mr. YOUNG. Here is another question by Mr. Lindabury:

Do you know of any other road that can be compared with this to ascertain whether these rates are reasonable?

Mr. GAYLEY. Ore rates?

Mr. YOUNG. Yes, sir.

Mr. GAYLEY. The ore rates—take the Mesabi Range, the distance is about 80 miles and the rate about 80 cents, to go from 70 miles up to 90 to reach these various mines through the various branches.

Now, taking the rate on the Ashland shipments from the Gogebic Range, in Michigan, over the Chicago Northwestern, the distance is 40 miles and the rate is 40 cents, which is 1 cent a mile. Take the Marquette Range, Lake Superior to Ishpeming, is 20 miles and the rate is 30 cents, or 1.6 cents per mile. Take the Duluth & South Shore Road from the Marquette Range, the distance is 14 miles and the rate is 25 cents.

Mr. YOUNG. It is 32 cents now.

Mr. GAYLEY. The South Shore rate from Ishpeming?

Mr. YOUNG. Yes, sir.

Mr. GAYLEY. I thought it was 25 cents.

Mr. YOUNG. It was for awhile, but they increased it.

Mr. GAYLEY. Coming through the East there is a large amount of ore which goes to the Schuylkill Valley and Philadelphia by the Reading Road. The distance from Philadelphia to Pottstown is 40 miles and the rate is 45 cents. There they have nothing to do with supplying the docks or holding the cars of ore. They simply hook on a trainload of cars at their railroad and deliver them into the

yards of the iron company. The same way with the Philadelphia & Reading Road to Bethlehem. The distance is 55 miles to the railroad docks at Bethlehem and the rate is 60 cents.

Mr. LINDABURY. Where is that from?

Mr. GAYLEY. From Philadelphia to Bethlehem.

Mr. LINDABURY. And the other was Pottstown?

Mr. GAYLEY. Yes, sir; in the Schuylkill Valley.

The CHAIRMAN. What road charges that rate?

Mr. GAYLEY. The Philadelphia & Reading.

The CHAIRMAN. Is there any interlocking of directors in connection with the United States Steel Corporation?

Mr. GAYLEY. No, sir.

Mr. LINDABURY. They do not deliver it to us.

The CHAIRMAN. They deliver it to the Schwab Co., but I wanted to know if the directors of that road were also directors in the United States Steel Corporation. I want to know what interest the United States Steel Corporation has, if any, in this Reading road, outside of the Bethlehem Co.?

Mr. LINDABURY. Not the slightest.

Mr. GAYLEY. I do not know, Mr. Chairman.

The CHAIRMAN. No directors in common?

Mr. GAYLEY. I do not know who the directors of the Reading road are.

Mr. LINDABURY. Have you finished with the ore rates?

Mr. GAYLEY. Yes, sir.

Take, for instance as a typical point on the Duluth, Missabe & Northern, the town of Hibbing, which is 84 miles from Duluth, and the rate on coal is 75 cents, and the rate on ore from Hibbing to the docks is 80 cents, but coal goes up as a net, and the ore comes back at 80 cents as a gross ton, making a comparative rate of 71½ cents for the ore.

Mr. LINDABURY. So the coal gets a higher rate?

Mr. GAYLEY. The coal has a higher rate.

Mr. YOUNG. Are you through on that subject?

Mr. GAYLEY. I think that is all I have on coal or ore.

Mr. LINDABURY. I suggested one more question.

Mr. YOUNG. Now, would you not, Mr. Gayley, regard 80 cents a ton for an 80-mile haul as a good deal higher rate than 40 cents for a 40-mile haul, owing to the fact that the ore has to be handled, passed through the docks, and all that?

Mr. GAYLEY. As a railroad proposition, I think that is true. In the meantime, I may state this, that where the 40-cent rate for a 40-mile haul prevails the Ashland ore is loaded up at the mines and forwarded to the docks to suit vessels in cargo lots as they are known to be able to arrive there and there is not this holding of cars. They are held at the mines until the carload lots are made. These Minnesota roads do a greater service to the mining companies.

Mr. YOUNG. I wish to call your attention also again to this table of rail freights, which we introduced this morning. I see by that table that the freights from the Bessemer and Vermilion ranges to Duluth or Superior have remained unchanged since the year 1892, being 80 cents, $1, 90 cents, and 80 cents, respectively, while on the

Marquette range, from the Marquette range to Marquette during that time, the rates have been reduced from 40 cents to 32 cents, Escanaba from 65 cents to 40 cents, from the Menominee range over the Northwestern from 70 cents to 40 cents, and on the Gogebic range to Ashland from 65 cents to 40 cents, while the Steel Corporation rates have remained the same in those years. What would you say that indicated?

Mr. GAYLEY. Well, I presume it is simply that those railroads have developed, perhaps through additional traffic, and that the ore was not the sole traffic of those roads; they do other business, their whole life did not depend on this rate. The service of those other roads, I do not think, up to the mines has been changed in any particular.

Mr. YOUNG. Is it not during those years from 1892 on that the business of the Mesaba has increased much more in proportion than it has on the Marquette, Gogebic, and Menominee ranges?

Mr. GAYLEY. It has increased at a very much greater rate and for a long period the production of the Mesaba range lead all the prospectors and ore developers of that country up to the Mesaba, and it may have been the part of the railroads to make prospects more attractive in that section of Michigan. At one time they thought that practically everything was going to Minnesota, and it meant almost an abandonment of the Michigan mines.

Mr. YOUNG. Is it not true, also, that, other things being equal, a large traffic within the capacity of the road can be handled at a less cost per unit than a small traffic?

Mr. GAYLEY. There is no doubt about that.

Mr. YOUNG. Mr. Lindabury has asked me to ask you this question:

Have any complaints as to your rates ever been made by any of your shippers?

Mr. GAYLEY. I never heard of one. They all seemed to recognize and appreciate the convenience which the railroads have been to them in accommodating them with respect to their ore shipments.

Mr. YOUNG. I wish to call your attention to a table from the Statistics of the American Iron Trade for 1910, showing ore shipments and production of different grades of iron and steel, and I ask you if that is recognized as reliable statistics from the American Iron & Steel Association?

Mr. GAYLEY. Quite reliable.

Mr. YOUNG. I will offer this in evidence.

(The table referred to is here printed in full in the record, as follows:)

Statistics of the United States Steel Corporation for the calendar year 1909.

[From statistics of the American iron trade for 1910.]

Iron ore shipments from Lake Superior and the total iron ore production in 1909; also coke production in the same year.	By United States Steel Corporation.	By independent companies.	Total shipments and production.	Percentage United States Steel Corporation.
Shipments of iron ore from the Lake Superior region in 1909.....gross tons..	21,876,246	20,710,623	42,586,869	51.3
Total production of iron ore in 1909, gross tons.....	23,431,047	27,863,224	51,294,271	45.6
Production of coke in 1909.....net tons..	13,590,112	25,724,953	39,315,065	34 5

Statistics of the United States Steel Corporation, etc.—Continued.

Iron and steel actually produced in the calendar year 1909. (Gross tons.)	Production United States Steel.	Production all others.	Total production.	Percentage United States Steel.
Spiegeleisen and ferromanganese	163,150	61,890	225,040	72.4
Bessemer, basic, low-phosphorus, foundry, forge, ferrosilicon, etc	11,455,200	14,115,231	25,570,431	44.7
Total pig iron, including spiegeleisen, ferromanganese, ferrosilicon, etc	11,618,350	14,177,121	25,795,471	45 0
Bessemer, open-hearth, crucible, electric, and all other steel ingots and castings	13,355,189	10,599,832	23,955,021	55 7
Bessemer steel rails	1,012,512	754,659	1,767,171	57.2
Open-hearth steel rails	722,605	534,069	1,256,674	57.5
Structural shapes	1,071,018	1,204,544	2,275,562	47.0
Plates and sheets, including black plates for tinning	2,108,576	2,125,770	4,234,346	49 7
Wire rods	1,626,936	708,749	2,335,685	69.6
Merchant bars, skelp, nail plate, iron rails, and other finished rolled products	3,063,659	4,711,593	7,775,252	39.4
Total finished rolled, including rolled forging blooms and rolled forging billets	9,605,306	10,039,384	19,644,690	48.8
Wire nails .....kegs of 100 pounds..	8,442,500	5,473,553	13,916,053	60.6
Tinplates and terneplates .....gross tons..	378,767	233,192	611,959	61.8

The CHAIRMAN. The committee will stand adjourned until to-morrow at 10.30 o'clock a. m.

(The committee thereupon adjourned until to-morrow, Wednesday, June 14, 1911, at 10.30 o'clock a. m.)

No. 8

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
Wednesday, June 14, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF MR. JAMES GAYLEY—Continued.

Mr. BARTLETT. Mr. Gayley, you were speaking about the steel-rail agreement, and that the price was fixed at $28 a ton about 1899 or 1900. Is that correct?

Mr. GAYLEY. In 1899 the average price was $28.12.

Mr. BARTLETT. I meant to ask about the agreed price.

Mr. GAYLEY. Well, I do not understand that there was any agreement as to fixing the price at $28 in 1899. The price of steel rails in 1899 varied from $18.50 to $35, and in the following year from $35 down to $26. I think about that period that $28 became the average price for rails.

Mr. BARTLETT. In 1897 it was $18.75?

Mr. GAYLEY. $18.75.

Mr. BARTLETT. And in 1898, $17.62?

Mr. GAYLEY. Yes, sir.

Mr. BARTLETT. And in 1899, $28.12; is that right?

Mr. GAYLEY. Yes, sir.

Mr. BARTLETT. And after the formation of the United States Steel Corporation it was $28 and has uniformly remained that since?

Mr. GAYLEY. It has; yes, sir; been uniform ever since.

Mr. BARTLETT. What caused the variation in price in 1897, 1898, and 1899, and why is it that since the formation of the United States Steel Corporation it has uniformly remained at $28, since 1901?

Mr. GAYLEY. What caused the variation before that was the cutting of prices between the different companies, about 1897, and then there was a reaction from that that took rails up to about $35, and, as I recollect, but it is not definite in my mind, $28 was practically considered to be a fair price of rails, as it had been prior to that great reduction in price which occurred in 1897.

Mr. BARTLETT. Is it not a fact that immediately or soon after the formation of the several minor companies engaged in the manufacture of steel rails into larger companies, or the Federal Steel, and afterwards into the United States Steel Corporation, that the prices advanced rather suddenly from $17 and $18 to $28?

Mr. GAYLEY. After the formation of the Federal Steel Co.?
Mr. BARTLETT. Yes, sir.
Mr. GAYLEY. From the reduction in 1897 it advanced in price.
Mr. BARTLETT. Immediately after the organization of the Federal Steel Co.?
Mr. GAYLEY. I do not recall the date of that.
Mr. BARTLETT. And they have remained certainly uniform at $28 a ton since 1901?
Mr. GAYLEY. They have.
Mr. BARTLETT. To all purchasers alike?
Mr. GAYLEY. As I understand it, to all purchasers alike of domestic rails.
Mr. BARTLETT. The purchasers of rails for use in the United States as well as those who buy for export?
Mr. GAYLEY. I was speaking of the United States.
Mr. BARTLETT. Then there is a difference made in the price of steel rails sold for export from the price of those sold for use in the United States?
Mr. GAYLEY. There has been.
Mr. BARTLETT. There has been?
Mr. GAYLEY. Yes, sir.
Mr. BARTLETT. Pretty uniformly so?
Mr. GAYLEY. I am not acquainted with the export trade in prices. I had nothing whatever to do with that.
Mr. BARTLETT. Do you know whether it is true or not?
Mr. GAYLEY. The reports of prices never came before me in my connection with the corporation.
Mr. BARTLETT. In any of these corporations?
Mr. GAYLEY. No, sir.
Mr. BARTLETT. Not while you were connected with the Carnegie Steel Co.?
Mr. GAYLEY. Very little export business was done at that time. The only export business done at that time was in periods of trade depression in this country.
Mr. BARTLETT. Mr. Farrell was in charge of the export business of the United States Steel Corporation—how long back?
Mr. GAYLEY. Since its formation, approximately, 1904.
Mr. BARTLETT. He is the president of the Steel Corporation now?
Mr. GAYLEY. He has been president since April.
Mr. BARTLETT. Is he in this country or abroad now?
Mr. GAYLEY. He is in the United States at the present time.
Mr. BARTLETT. You say you do not know that if parties applied for the purchase of rails for export that the prices quoted were different from those reported to a party who applied to purchase rails for use in the United States?
Mr. GAYLEY. I think the distinction is that nearly all the rails for export did not come by application to the Steel Products Co., but were solicited by the foreign agents of the Steel Products Co., not directly to the sales department of the Steel Corporation.
Mr. BARTLETT. When did you cease your connection with the United States Steel Corporation as an officer?
Mr. GAYLEY. On January 1, 1909.
Mr. BARTLETT. You were vice president at that time?
Mr. GAYLEY. Yes, sir.

Mr. BARTLETT. And also in 1904?

Mr. GAYLEY. Yes, sir.

Mr. BARTLETT. Did you have any cognizance of the price of steel rails for export by reason of being the vice president of the company?

Mr. GAYLEY. It would not come to my attention in connection with my duties for the Steel Corporation.

Mr. BARTLETT. Under what officer or what person connected with the Steel Corporation?

Mr. GAYLEY. The president of the corporation.

Mr. LINDABURY. I think Mr. Farrel can give you the whole of that, and he will come whenever the committee wants him.

Mr. BARTLETT. I am trying to get on the track of that.

Mr. LINDABURY. I just wanted you to know that he would be at your service when you desired him.

Mr. BARTLETT. I thank you.

You know nothing whatever about the sale of rails by the United States Steel Corporation to the Canadian Pacific Railroad, what price it charged them?

Mr. GAYLEY. I have no definite knowledge.

Mr. BARTLETT. Returning and repeating somewhat, it is true that since 1901 the uniform price of steel rails in the United States has been $28 without any change?

Mr. GAYLEY. It has.

The CHAIRMAN. Right at that point, Mr. Gayley, the quoted flat price is $28; that is, $28 f. o. b. at Pittsburg, is it not?

Mr. GAYLEY. F. o. b. Pittsburg; yes, sir.

The CHAIRMAN. That is for the Bessemer rail?

Mr. GAYLEY. That is for the Bessemer rail.

The CHAIRMAN. Does the Bessemer rail sell at the same price per ton in Chicago and at any other point as at Pittsburg?

Mr. GAYLEY. F. o. b. at the mill.

The CHAIRMAN. No matter where the mill is?

Mr. GAYLEY. No matter where the mill is.

The CHAIRMAN. What is the difference in price of the best open-hearth rail and the Bessemer rail?

Mr. GAYLEY. The difference in price is, as I recall, from $1 to $3 a ton, depending on certain specifications.

The CHAIRMAN. There is a difference that I do not understand, because I have no technical knowledge of the method of manufacture, but rails that come from a certain part of the ingot, I believe, are tougher and stronger than rails from any other part of it, depending on the method. I would like to have you explain the difference.

Mr. GAYLEY. The difference in pouring steel into the ingot, the top part is more or less spongy, and that top part is cut off as scrap. The bottom part of the ingot is practically free from that sponginess, and the nearer you approach to the middle the better it is, as, for instance, in ordinary rail practice in my time, it was customary to cut off 10 per cent of the top of the ingot for rails, and other manufacturers, for instance, in armor plate, have cut off half of the ingot and only used the bottom half.

The CHAIRMAN. Has the necessity for this severeness of the ingot been obviated by more modern methods, the tempering of it?

Mr. GAYLEY. Do I understand that you mean doing away, decreasing the sponginess?

The CHAIRMAN. Yes, sir.

Mr. GAYLEY. I do not think it can possibly. The heat treatment, the temperature of pouring steel has something to do with that, but that is not always controllable within narrow limits.

Mr. BARTLETT. The price of steel rails having been fixed, as I understood you to say, in 1895 and 1896 at $28 a ton, it was done by an agreement of all the steel-rail manufacturers in this country with the railroads?

Mr. GAYLEY. That is my understanding of the way in which it was fixed.

Mr. BARTLETT. And it remained that for several years?

Mr. GAYLEY. Yes, sir.

Mr. BARTLETT. Then there was a break in the prices in 1898 and 1899, which I have called your attention to—it went down to $17.50 a ton?

Mr. GAYLEY. In 1898.

Mr. BARTLETT. And after that the price was again fixed at $28 and has remained there. How was it again fixed?

Mr. GAYLEY. I imagine in the same way, between——

Mr. BARTLETT (interposing). Do you know?

Mr. GAYLEY. According to my best recollection, it was arranged between the railroads and the steel makers.

Mr. BARTLETT. In the same way it has originally been fixed?

Mr. GAYLEY. In the same way it had originally been fixed; yes, sir.

Mr. BARTLETT. With a mutual understanding and agreement?

Mr. GAYLEY. A mutual conclusion between the railroads and the steel makers that that represented a fair price.

Mr. BARTLETT. Now, if there was a variation in the price by some steel manufacturer from $28 down during this time, what would have been the result? Would it have precipitated a price war?

Mr. GAYLEY. During which time?

Mr. BARTLETT. Any time now or between the time it was fixed.

Mr. LINDABURY. Does not that ask for a mere speculation?

Mr. BARTLETT. The witness is entitled to an opinion of what would be the result.

Mr. LINDABURY. I will not press the objection for a ruling if Judge Bartlett thinks it is proper, because the Judge's experience has been such that I would not insist on my objection.

Mr. BARTLETT. He is familiar with the business?

Mr. LINDABURY. Not with the selling department.

Mr. BARTLETT. He is very well informed?

Mr. LINDABURY. He is generally well informed, but his expert knowledge has been gained in rather other branches.

Mr. BARTLETT. He was the vice president.

Mr. LINDABURY. But not connected with the selling department in any way.

Mr. BARTLETT. What I wanted to know was this: This was an agreement entered into by all of the manufacturers of steel rails and the railroads, after which the price of $28 a ton was fixed, agreed upon by mutual understanding, and had not been varied from except in the period after 1897 or 1898, whatever may be the date. Then, again, it was put back where it was—$28—by mutual understanding, and has remained there since. What was the effect of a change in the selling price by some of the steel manufacturers of steel

rails after the first agreement was entered into; what effect did it have on the trade?

Mr. GAYLEY. You mean prior——

Mr. BARTLETT (interposing). To 1901, when it was $28?

Mr. GAYLEY. Prior to 1901—the great reduction occurred in 1897, when there was a cut in prices.

Mr. BARTLETT. There was a steel-rail war?

Mr. GAYLEY. Well, there was a steel war, which embraced rails.

Mr. BARTLETT. What effect did that have on the business?

Mr. GAYLEY. It reduced the price of rails. I do not think it added materially to the tonnage of rails, although I have not that data here. It added nothing in the distribution of orders for rails. I do not think any particular manufacturer of rails got any contract from any new customers.

Mr. BARTLETT. Did not that steel war accelerate and bring about the consolidation of these various steel manufacturers, including manufacturers of steel rails, into the United States Steel Corporation?

Mr. GAYLEY. No; I do not think that had any effect or any influence on the formation of the Steel Corporation. It may have had on the Federal Steel. It may have tended to the Federal Steel formation; that I do not know.

Mr. BARTLETT. The United States Steel Corporation absorbed the Federal Steel and its subsidiaries?

Mr. GAYLEY. In 1901.

Mr. BARTLETT. Do you know whether or not there is an agreement between the steel-rail manufacturers of this country, international in its scope, by which the territory is divided and parceled out among the manufacturers of steel rails?

Mr. GAYLEY. Did I understand you to say "international"?

Mr. BARTLETT. Do you know whether there is any agreement international in its scope between the steel-rail manufacturers of the United States and abroad by which the territory in which steel-rail products can be sold is divided and parceled?

Mr. GAYLEY. I have never heard of any; I do not know.

Mr. BARTLETT. If such an agreement existed between the United States Steel Corporation and others, the officer in charge of the export business would know, probably—Mr. Farrell?

Mr. GAYLEY. Mr. Farrell would know.

Mr. BARTLETT. I will withhold these questions until we get Mr. Farrell.

Is there any agreement in this country? I will ask you that question.

Mr. GAYLEY. Among the steel-rail manufacturers?

Mr. BARTLETT. Or steel products?

Mr. GAYLEY. I do not know of any by which the territory of this country was divided up.

Mr. BARTLETT. How was it provided, either by express contract, if any existed, or by mutual agreement or understanding that a violation of the understanding as to the price at which rails were to be sold was to be punished or compensated for? In other words, how was it provided in case those who were parties to the mutual understanding should violate said mutual understanding after it was

agreed to—what would be the result upon the party who violated the understanding?

Mr. LINDABURY. Are you alluding, Judge Bartlett, to the period before 1900? Are you alluding to the period before the organization of the United States Steel Corporation, the period of which the witness spoke?

Mr. BARTLETT. In 1898 and 1899 up to the formation of the Federal Steel Co. He said after that the agreement was made and continued. What provision was made? What would be the result of the violation of a contract?

Mr. GAYLEY. I was not familiar in any point of detail with any agreement that was made. It was not in my field of operation.

Mr. BARTLETT. Mr. Schwab stated that steel rails could be made in 1899 at a mill cost of $12 a ton. Are you sufficiently familiar with the cost to give an opinion upon that subject?

Mr. GAYLEY. I never did believe he could do it. I asked him once how he proposed to do it and he just smiled.

Mr. BARTLETT. He just smiled.

Mr. GAYLEY. Yes, sir.

I believe it would be possible during a brief period for a mill to make rails at $12 providing——

Mr. BARTLETT (interposing). At $12 mill cost?

Mr. GAYLEY. Yes, sir. I wish to define what the cost is—providing that the fuel and ore was mined at the lowest labor cost, transportation at the cheapest cost, cost of conversion or manufacturing in labor reduced to such a point that the workmen would only get the barest kind of a living wage, without making any renewals or repairs or spending anything for upkeep, to deteriorate product by not sacrificing enough in any waste or cut-off to insure quality; that it is possible for a certain time to reach that point by destroying mineral wealth and destroying plant. In other words, it has always appeared to me that if a man purchased a substantial pair of boots and started out to walk across the continent, if he made no renewals and no repairs, by the time he would get to San Francisco he would have no boots.

Mr. BARTLETT. He would not have to go that far.

Mr. GAYLEY. Mr. Schwab would have no mills, and his mines would have been deteriorated.

Mr. BARTLETT. Have you given what you consider the cost per ton of steel rails?

Mr. GAYLEY. I had no occasion to look into that.

Mr. LINDABURY. I think that that question was asked either by you or Mr. Gardner, that we make up a cost sheet.

The CHAIRMAN. I made that request.

Mr. LINDABURY. Mr. Gayley had charge of the raw material and ores.

The CHAIRMAN. You say, Mr. Gayley, that you could make rails, excluding repairs, advances in labor cost, payment on your indebtedness, and the like, for $12 a ton? Would that be the actual cost; would that give you the mill cost with a profit?

Mr. YOUNG. At what time?

The CHAIRMAN. Now.

Mr. GAYLEY. Not now.

The CHAIRMAN. Could you make them with a mill cost of $12 without any profit, excluding the items you have mentioned?

Mr. GAYLEY. To-day?

The CHAIRMAN. Yes, sir.

Mr. GAYLEY. No, sir; it can not be done.

The CHAIRMAN. What would be the actual mill cost now?

Mr. GAYLEY. As I understand your question, you are considering the price of raw material and the price of labor, the additional expense of making steel, and the additional wastage in steel which is required to-day.

The CHAIRMAN. I did not catch your answer.

Mr. GAYLEY. As I understand your question, it involves the present price in wages to the workingmen, the present price of raw material, transportation, renewals, repairs, and considering the additional cost of manufacture?

The CHAIRMAN. No.

Mr. GAYLEY. There is a larger wastage required to-day in making steel rails, which is an element of cost. It is absolutely impossible.

The CHAIRMAN. Is the labor cost of making a ton of rails from a ton of pig iron greater or less, proportionately, than the labor cost of making a ton of pig iron?

Mr. GAYLEY. Oh, very much more.

The CHAIRMAN. I mean the per cent of labor cost. Does the element of labor enter into the making of a ton of rails and become a larger item than the labor necessary to make a ton of pig iron?

Mr. GAYLEY. Very much more.

The CHAIRMAN. I have before me a report from the Bureau of Corporations giving the average cost or approximate average cost of producing a ton of rails. This cost is put at $22.23. Is that a fair estimate?

Mr. GAYLEY. Yes, sir; I think it would be.

The CHAIRMAN. I have here a table showing the lowest cost of making rails by any company for any year, and for 1905 it was $19.33, and it runs up to $30.29 in 1903. This is the table for all the rail mills in the United States.

Mr. GAYLEY. The same items of cost are taken in each case?

The CHAIRMAN. Yes, sir; giving the variation at different mills in the United States. Would you think that would be approximately correct?

Mr. GAYLEY. My judgment would be about $22.

The CHAIRMAN. Mr. Gayley, when did you go into the iron business?

Mr. GAYLEY. In 1877.

The CHAIRMAN. Connected with what company?

Mr. GAYLEY. The Crane Iron Co., of the Lehigh Valley.

The CHAIRMAN. When did you first become connected with the Carnegie Co.?

Mr. GAYLEY. In 1885.

The CHAIRMAN. And how long were you with that company?

Mr. GAYLEY. From 1885 until 1896. I was connected first as manager of their blast furnaces at the Edgar Thomson Works and latterly as general manager of the steel works and furnaces.

The CHAIRMAN. In 1899, what position did you hold with the Carnegie Steel Co.?

Mr. GAYLEY. I was one of the managing directors of the Carnegie Steel Co., in charge of their raw-material supply.

The CHAIRMAN. In 1901, I believe, the United States Steel Corporation was formed?

Mr. GAYLEY. Yes, sir.

The CHAIRMAN. What additions were made to the Carnegie Steel Co. in the way of actual expenditures for blast furnaces and improvement of plant and the like, and in what way did it increase in value—I mean in actual output?

Mr. GAYLEY. I can not tell you definitely what expansion in construction was made. The Carnegie Steel Co. was expanding, putting in additions, increasing its output, building new mills for more economical production. Always in its history it had been one period of progressive installations.

The CHAIRMAN. Can you tell me, approximately—because I only want it approximately—what new concerns were acquired between 1899 and the formation of the United States Steel Co., and approximately about how much was spent? I do not want it even to the hundred thousands—within half a million or one million or two million dollars.

Mr. GAYLEY. I can not tell you from memory.

The CHAIRMAN. Was it as much as $10,000,000 or $20,000,000, in your opinion?

Mr. GAYLEY. I would not want to make a guess at it.

The CHAIRMAN. I do not want to be persistent; but it is very vital to the inquiry. It is not vital that I have exact figures. You acquired no new plants in that time?

Mr. GAYLEY. No; I do not know of anything that was taken over. The Carnegie Co. was formed, which took into that company the Carnegie Steel Co. and various others.

The CHAIRMAN. It was formed before 1901?

Mr. GAYLEY. The Carnegie Co. which I am speaking of was formed in 1900, I think.

The CHAIRMAN. You spoke of the expense that this Carnegie Steel Co. went to in employing the most efficient and capable ironmasters you could find, the men most expert, and in getting the machinery without regard to cost—that is, the machinery with no special regard to cost, if it would produce more economically than the machinery you had. That was the principle upon which that great company operated?

Mr. GAYLEY. It was.

The CHAIRMAN. You looked always to the production of a maximum tonnage of iron and steel at a minimum of cost, and purchased any new machinery and secured patents on any new inventions that would give you that position in the steel business?

Mr. GAYLEY. We adopted every improvement without delay that would cheapen and facilitate the manufacture of iron and steel.

The CHAIRMAN. I am not asking these questions in the way of criticism, but in the way of commendation of the policy of the Carnegie Steel Co.; and, as you happen to have the honor—I regard it as an honor—to have been one of the old guard in that company, I am questioning you somewhat earnestly about these improvements; and I want to say that from a casual study of the history of the Carnegie Steel Co. from Kloman up to this day it may be observed that while

they made mistakes, and I think they did—if I had been in charge, I know I could not have managed it, I would have pursued a different policy with reference to the treatment of organized labor and other things—but I approve of a great many things that were stated in an answer which was filed in the cast of Frick against the Carnegie Steel Co. and others, to which you were one of the defendants, I believe, and verified this petition.

Mr. GAYLEY. I believe so.

The CHAIRMAN. It is the case of Henry C. Frick against the Carnegie Steel Co. (Ltd.), Andrew Carnegie, Henry Phipps, jr., and so on—you are familiar with it?

Mr. GAYLEY. Yes, sir.

The CHAIRMAN. In that answer the statement is made:

It is not true that on December 31, 1899, the said association had assets or property, either real or personal or tangible in any form, which the said association in its legal capacity could transfer, worth $250,000,000.

That statement is correct, is it not?

Mr. GAYLEY. I understood it to be so at that time.

The CHAIRMAN. (Reading:)

Nor did the defendant, Andrew Carnegie, ever assert that said assets were in excess of that sum. The said Andrew Carnegie has repeatedly expressed the opinion, with reference to the earning capacity of said company, that the personnel of its organization was worth more than all of the property of the company.

It is true that the said Andrew Carnegie has expressed and still holds sanguine views as to the future of said company, but any such views are based upon the maintenance of the organization of the said company in its present condition of efficiency and harmony.

That statement was correct, was it not?

Mr. GAYLEY. Mr. Carnegie often expressed himself that the great asset of his corporation was its organization.

The CHAIRMAN. As you understand, I am not asking you whether these statements are true; I wish simply to have them identified. Of course, if you have changed your mind since then, it would be right to so state.

There is a statement here about the policy of the Carnegie Steel Co.

But it has always been the policy of this association from its outset to regard itself as an association of individuals who have united together their fortunes, their talents, and their industry to manufacture iron and steel in all branches in the best form, by the best processes, and at the most moderate cost, and by such attention to the true purpose of its organization to produce for those interested in the association the largest profis which can be made.

You believed that was the best policy then?

Mr. GAYLEY. I did.

The CHAIRMAN. Do you not believe it is the best policy now, not only for the manufacture of steel, but with a thousand times more emphasis for the dominance of the steel industry in America and for the good of every purchaser of steel?

Mr. GAYLEY. You mean that the industry would best be served by corporations representing an association of individuals in partnership like the Carnegie Co.?

The CHAIRMAN. I mean the principle laid down here with such remarkable force, and that at that time it was the policy of the Carnegie Co., and it has always been the policy, to regard itself as an association of individuals who have united together their for-

tunes, their talents, and their industry to manufacture iron and steel, etc., cheaper than anybody else can manufacture it. That was a good policy then?

Mr. GAYLEY. It is the aim to-day to manufacture steel as cheaply as possible, having the highest reference to quality.

The CHAIRMAN. Was it not true that that policy carried into effect the selection of the best man for the place, the selection of the best material which could be purchased, and the throwing into the junk heaps of machinery, no matter how expensive, if some other machinery had been invented to do the work better and cheaper? Was not that the thing, the capacity of the man to handle the machine, and the knowledge that you had the best machine, was not that what made the Carnegie Co. indifferent to competition and successful whenever competition was severe and victorious whenever a war was raging between the manufacturers of steel?

Mr. GAYLEY. It certainly placed the Carnegie Co. in a strong position. The Carnegie Co. was not anxious for competition through disastrous price cuts at all, but that policy of procuring the best brains, the best machinery, and the most modern processes is in effect and in practice with the Steel Corporation to-day through every department of its operation.

The CHAIRMAN. Was it not true that at the time of the formation of the United States Steel Corporation the Carnegie Co., with your superior knowledge of the business, with your superior equipment, and with your efficient and fearless personnel, were able, ready, and prepared in case of competition to maintain yourselves, and had war instead of cooperation been the keynote at the time of the absorption of the Carnegie Steel Co., would it not have been the other fellow who would have gone to the wall in a war to the death?

Mr. GAYLEY. I can only say that we would have worried them a bit if it came to a contest.

Mr. BARTLETT. Right there—the suggestion, I will not use the word "threat" of the Carnegie Co. to extend the field of its work—did not that bring about a settlement of the differences?

Mr. GAYLEY. I do not know of any threat.

Mr. BARTLETT. I called it a suggestion—that the Carnegie Co. would build tube works and a railroad—and soon after that suggestion got abroad there was an arrangement by which the suggested competition did not go into effect?

Mr. GAYLEY. It was contemporaneous. I do not think one influenced the other, as far as my knowledge goes.

Mr. BARTLETT. It was suggested, but it did not happen?

Mr. GAYLEY. It did not happen. The Carnegie Steel Co., throughout its whole history, has extended in the direction of a more varied product. It was always increasing the variety of steel products in its manufacture, and it was not new and was not recognized as anything new or remarkable in the steel industry for the Carnegie Steel Co. to be branching out in some new direction of manufacture.

Mr. BARTLETT. Did they branch out in the manufacture of tubes after this?

Mr. GAYLEY. As I explained the other day, there had been under consideration by the board of directors of the Carnegie Steel Co. the manufacture of steel wire and the manufacture of tubes, both were being considered, and it was a question whether they would go into one or the other or both.

Mr. BARTLETT. Was that plan carried out after the purchase?

Mr. GAYLEY. It was not carried out. It dropped through.

Mr. BARTLETT. The threat or proposition, whatever you call it, was not carried out, and died after the purchase of the Carnegie Co.?

Mr. GAYLEY. I was just going to add that the powers that decided on this expansion of the Carnegie Steel Co. after the formation of the Steel Corporation were not the ones to carry it out, having disposed of their property.

Mr. BARTLETT. That is a good answer. Whether it was intended by the Carnegie people or not to be carried out, a suggestion or intention to increase its business, after they sold out, the people to whom they sold did not carry out their purpose in that line?

Mr. GAYLEY. They did not carry out the plan for extending into a more varied output that was planned by the Carnegie Steel Co.

Mr. MCGILLICUDDY. I want to ask you a question. You said there was an agreement between parties fixing the selling price of rails at $28 a ton. Is that right?

Mr. GAYLEY. At what time.

Mr. MCGILLICUDDY. I was going to ask you at what time. I think you stated, in answer to Judge Bartlett, that there was such an agreement?

Mr. GAYLEY. There had been agreements in the steel-rail industry.

Mr. MCGILLICUDDY. Were there several agreements?

Mr. GAYLEY. At the different periods there were agreements as to the price and, as I understand it, there were different agreements at different times in the steel business.

Mr. MCGILLICUDDY. When was the first one?

Mr. GAYLEY. I do not know.

Mr. MCGILLICUDDY. When was the last one?

Mr. GAYLEY. I can not give you a definite idea as to that. You can get that information.

Mr. MCGILLICUDDY. In what form was that agreement?

Mr. GAYLEY. I do not know whether it was verbal or written; I can not tell you. I am giving you my understanding of how this price was fixed. I was not a party.

Mr. MCGILLICUDDY. Who were the parties to that agreement?

Mr. GAYLEY. I presume you mean the different corporations?

Mr. MCGILLICUDDY. Yes, sir.

Mr. GAYLEY. I presume it was all of the rail makers.

Mr. MCGILLICUDDY. What?

Mr. GAYLEY. All of the rail makers in America.

Mr. MCGILLICUDDY. For how long a period did the agreement extend?

Mr. GAYLEY. The details of that I am unable to give you. As I have already stated, I am entirely unfamiliar with any of the details.

Mr. MCGILLICUDDY. The agreement did fix the selling price of rails?

Mr. GAYLEY. That is my understanding.

Mr. MCGILLICUDDY. What was to happen to anybody or any corporation who was a party to that agreement in case they did not live up to it; was there any penalty?

Mr. GAYLEY. I am not sure with respect to rails. With respect to other products there were penalties.

Mr. MCGILLICUDDY. What were the penalties to be?

Mr. GAYLEY. In some products, as I recollect, the penalty—you mean as to breaking the contract?

Mr. MCGILLICUDDY. Yes, sir.

Mr. GAYLEY. I do not know. I think if a person made more than his allotted amount he was to pay $1 a ton.

Mr. MCGILLICUDDY. To whom?

Mr. GAYLEY. Into the pool.

Mr. MCGILLICUDDY. And that pool was to be divided up among the parties to the agreement?

Mr. GAYLEY. That is my understanding.

Mr. MCGILLICUDDY. Among the parties who kept the agreement?

Mr. GAYLEY. Yes, sir.

Mr. DANFORTH. Who can tell us what the agreements were, how made, and what the penalties were; what officer of the Steel Corporation?

Mr. LINDABURY. This witness never said that the United States Steel Corporation was a party.

Mr. DANFORTH. Who can tell us, if it is important to find out?

Mr. GAYLEY. So far as my knowledge goes during the period of my connection with the industry, I should think Mr. Schwab could give you the information, particularly.

Mr. DANFORTH. Is he the only man connected with the steel industry who could give us that information?

Mr. GAYLEY. No; I presume there are lots more. I imagine Mr. Gates could enlighten you.

Mr. MCGILLICUDDY. From whom did you get your information?

Mr. GAYLEY. Simply talk around.

Mr. MCGILLICUDDY. Talk with whom?

Mr. GAYLEY. Mr. Schwab and the other directors of the company as a matter of general conversation. It is pretty difficult to go back over this long period and say what was definitely said and communicated. I am simply stating that I understood that as to that period there were agreements. If I had been a factor and had made those agreements they would unquestionably have become fixed in my mind.

Mr. MCGILLICUDDY. Was the information conveyed to you that not only the price of steel but the amount to be produced was to be limited by each company?

Mr. GAYLEY. I never heard of any limitation as to output.

Mr. MCGILLICUDDY. This $1 penalty was for selling under the agreed price?

Mr. GAYLEY. If a party, as I recollect, made more tonnage than the prorated allotment——

Mr. MCGILLICUDDY (interposing). Then the agreement did include the amount to be produced?

Mr. GAYLEY. What I mean, there was no limitation of amount.

Mr. MCGILLICUDDY. What were they to pay the $1 for?

Mr. GAYLEY. A distribution of the percentage of the amount, whatever it would be.

Mr. LINDABURY. They could make more, but they had to pay the penalty?

Mr. GAYLEY. For the exceeding of the percentage.

Mr. MCGILLICUDDY. Then, if I understand you, one of the terms of the agreement that you refer to allotted a certain percentage of the production to different parties to the agreement?

Mr. GAYLEY. That is my understanding.

Mr. MCGILLICUDDY. And if any company wanted to make more than the amount allotted to them they had to pay $1 a ton for the increased production?

Mr. LINDABURY. I think you were not here when Mr. Roberts testified and gave all that information.

Mr. GAYLEY. That is my understanding, as, for instance, the beam pool. I am not speaking of rails in this connection; my answers have application to other products.

Mr. MCGILLICUDDY. And your understanding is that the agreement covered all of the steel manufactures in the United States?

Mr. GAYLEY. Producing those products. Certain makers made beams; certain makers made plates, and so on.

Mr. LINDABURY. I think you have an erroneous idea, as your last question suggests, that there was one agreement. I understand that there were different pools covering different products, not one pool.

Mr. MCGILLICUDDY. Was there any particular territory allotted to particular corporation, or was the territory to be in common?

Mr. GAYLEY. In common.

The CHAIRMAN. That arrangement by which each man was to produce a certain per cent of his maximum capacity maintained the price of rails at a fixed amount per ton?

Mr. GAYLEY. Prior to the corporation's formation?

The CHAIRMAN. Yes, sir.

Mr. GAYLEY. I understand——

The CHAIRMAN (interposing). As long as it was kept?

Mr. GAYLEY. As long as it was kept; yes. I understand that a certain percentage of the rail orders were sent to this mill and another percentage to that mill, depending on the amount of money expended by these several companies in order to provide facilities for production.

The CHAIRMAN. I understand that one mill would have a maximum capacity, say, of 100,000 tons a year, and another mill could produce 50,000 tons, that this mill that prepared to produce 100,000 tons a year, other things being equal, would be entitled to at least twice as many rails as the mill producing 50,000 tons. Is that correct?

Mr. GAYLEY. Not always, but it was some percentage of capacity.

The CHAIRMAN. That is immaterial, but as long as those agreements were kept the price could be maintained?

Mr. GAYLEY. Yes, sir.

The CHAIRMAN. Since the formation of the United States Steel Corporation the prices have remained the same; have they been maintained by the same methods?

Mr. GAYLEY. I do not know of any agreements between those people since the formation of the Steel Corporation.

The CHAIRMAN. Mr. Gayley, do you believe that this equilibrium in prices would maintain itself—like Mahomet's coffin, just hang there without any help from anybody?

Mr. GAYLEY. I do not know of anything that will maintain itself in this world without some influence being brought to bear.

The CHAIRMAN. It required vigilance, concurrent action, mutual understanding, the infliction of penalty for breach of performance

to maintain this fixity of price among these manufacturers of rails, did it not?

Mr. LINDABURY. I think the witness should not be compelled to answer that question, and I hope the chairman will not insist.

The CHAIRMAN. What I have in mind is this: Before the formation of the United States Steel Corporation there were quite a number of concerns making steel rails?

Mr. GAYLEY. There were.

The CHAIRMAN. They were independent one of the other?

Mr. GAYLEY. They were.

The CHAIRMAN. They maintained these prices by the methods which you have mentioned at times—the price of rails?

Mr. GAYLEY. They corrected relapses from a profitable price by these arrangements, and maintained them through self-interest and money-making.

The CHAIRMAN. In spite of your efforts, however, now and then these agreements would be broken, and there would be demoralization in the price?

Mr. GAYLEY. It is a little different. I think that in every case rails were cut by reason of retaliation, through some wrong, either real or fancied, in another branch of the business.

The CHAIRMAN. Since the formation of the United States Steel Corporation there have been none of these fancied wrongs, none of these misunderstandings, none of these efforts on the part of concerns not connected with the United States Steel Corporation to reduce the price of rails below $28?

Mr. GAYLEY. There have not; and since the formation of the Steel Corporation the makers of steel rails and the makers of steel generally have been brought together in a better acquaintanceship with one another; there has been more freedom of intercourse; and that has occurred since the corporation has been formed, and that has created a better understanding. Everything has been open and aboveboard in their intercourse. Prior to that time, in the days of this keen competition, everybody went their own gait. They were secretive, largely, as to their methods and as to their customers and as to their price policy; and when they got into war that naturally led to deceiving one another. That has all been done away with, and a spirit of frankness has taken its place—public and free intercourse.

The CHAIRMAN. Under the present régime each rail maker takes the other rail maker into his confidence?

Mr. GAYLEY. They do.

The CHAIRMAN. He tells him all about his business?

Mr. GAYLEY. As never before.

The CHAIRMAN. As never before. He lets him know the cost of production in his mill?

Mr. GAYLEY. I do not know that they get down to minute details.

The CHAIRMAN. But he does not attempt to deceive him?

Mr. GAYLEY. But at the present day, with our ore supplies coming from one general source, and the fuel likewise, and all mills adopting as near as possible the same mechanical appliances, it is very easy for one maker of rails or maker of steel to approximate very closely to the cost of another, especially when there is, as pre-

vails in the steel business, free access to the works on the part of visitors from other works.

The CHAIRMAN. From what general source do your ores come?

Mr. GAYLEY. I refer to the Lake Superior ore.

The CHAIRMAN. The Mesabi region, principally?

Mr. GAYLEY. Principally; yes.

The CHAIRMAN. From what general source does your fuel come?

Mr. GAYLEY. That is different. The Pittsburg district has the Connellsville and its associated fields.

The CHAIRMAN. Will you give me the names of those fields?

Mr. GAYLEY. They are known principally as what they call the Klondike fields. Over at Johnstown, beside Pittsburg, they are using local coal, or coal that is near to them. Then, large quantities of coal are taken from the Pocahontas field to the Chicago district. Now they are using the southern Illinois coal and coking in their by-product ovens.

The CHAIRMAN. Are any concerns using the southern Illinois coal except at Gary?

Mr. GAYLEY. No.

The CHAIRMAN. I am speaking now of those fields, Mr. Gayley, in which all the rail makers and the other large concerns, like Jones & Laughlin, get their fuel supply—the common fuel supply.

Mr. GAYLEY. That is generally around the Pittsburg district.

The CHAIRMAN. What per cent of that coal field from which all of you get your supply is owned or controlled by title in fee simple to the land, or by leases, by the United States Steel Corporation?

Mr. GAYLEY. I have not that data.

The CHAIRMAN. About 80 per cent of it, or 90 per cent of it?

Mr. GAYLEY. I would not even want to make a guess at it.

The CHAIRMAN. Is not that approximately correct?

Mr. GAYLEY. I would not like to say; it would be a wild guess. They are accumulating coal properties up there all the time, and I do not know that I ever really had occasion to secure that information when I was with the corporation.

The CHAIRMAN. When you were connected with the Carnegie Steel Co., the gentlemen so associated had an agreement called an "iron-clad agreement" among themselves, did they not?

Mr. GAYLEY. They had.

The CHAIRMAN. Was that agreement a just arrangement between you, by which the interests of the living and the dead could be protected? I mean by that, under that agreement you took an inventory of the value of the property while you were alive, and that was accepted by the administrators when one member happened to be dead in the settling of his estate, was it not?

Mr. LINDABURY. One moment; I ask the witness to consider whether he had better answer that or not. It seems to me that question is a little too deep for one single mind.

The CHAIRMAN. I will let both minds work on it.

Mr. LINDABURY. As mine operates, I should say that it is not capable of being answered.

The CHAIRMAN. I should think it would not concern the United States Steel Corporation, for the reason that the Steel Corporation, he says, has no interest in this iron-clad contract.

Mr. LINDABURY. I know; but the question asked him for the affairs of this life and beyond the grave, and being altogether speculative in its character, anyhow, ought not to be answered.

The CHAIRMAN. I hope the United States Steel Corporation has no fear of anything beyond the grave.

Mr. LINDABURY. I am now suggesting this for the witness's own sake and as adviser to him.

The CHAIRMAN. I hope Mr. Gayley is not living in any such dread.

Mr. LINDABURY. I think he had better not enter into the realm of speculation, at least when it extends beyond the grave.

The CHAIRMAN. I understand from this agreement, Mr. Gayley, that under this agreement if a man withdrew those in control of the Carnegie Co. paid him his per cent in that property according to its book value?

Mr. GAYLEY. Yes.

The CHAIRMAN. And if he died they went to the books and if he had a 10 per cent interest in the Carnegie Steel Co. they gave him 10 per cent of the value of that company according to the showing of the books at the time of his death. Is not that correct?

Mr. GAYLEY. That is.

The CHAIRMAN. Was that a fair and just arrangement, in your opinion, to those that stayed in and those that went out, or was it a suicidal arrangement?

Mr. LINDABURY. I submit that the witness's opinion ought not to be asked on that subject.

The CHAIRMAN. If he objects——

Mr. LINDABURY. I do object.

Mr. GAYLEY. I would rather not answer that.

The CHAIRMAN. Well, I will take the "suicidal" element out of it. I did not mean that offensively. I meant this: My opinion is, from my knowledge of the men who were parties to that agreement, that it must have been just; it was not intended as a game of "freeze-out," but as a just method of ascertaining the value of this property, both for the sake of those that stayed in and for the sake of those that stayed out, and for preventing litigation. Now, that is my understanding of this agreement, and I want to know if it is correct?

Mr. GAYLEY. I can simply say that it was assented to by the partners.

The CHAIRMAN. And you assented to it? You were a party to it?

Mr. GAYLEY. There was a new ironclad agreement drawn up after I became a partner, and whether that became operative or not I have forgotten. On becoming a partner I came under the original ironclad agreement, anyway.

The CHAIRMAN. What interest did you have in that concern?

Mr. GAYLEY. I prefer not to say, Mr. Chairman.

The CHAIRMAN. It was a considerable interest, was it not?

Mr. GAYLEY. No; I was a junior partner.

The CHAIRMAN. And whatever interest you had, you agreed without complaint that it should be determined that way in case of your death or in case of your severance of your relations with the Carnegie Steel Co., did you not?

Mr. GAYLEY. I can only speak for myself personally.

The CHAIRMAN. Personally, yourself?

Mr. GAYLEY. Personally, it was satisfactory to me.

The CHAIRMAN. Now, I want to call your attention to this estimate of the value of that company on the 31st day of December, 1899. This answer says:

Those books—

The books of the Carnegie Steel Co.—

Were under the supervision of the plaintiff—

That is, Mr. Frick—

Until the day of his resignation from the chairmanship of our company, and the entries have been made from time to time in accordance with his express judgment. These books show that the net value on the 31st day of December, 1899, of the assets of the association was $75,610,104.05. To a large extent this book value represents the actual cost of the properties represented in the balance sheets of the association.

And again:

And we aver that the valuation of the assets as shown on said books and balance sheets is a full, fair, and accurate valuation of the same, and that there hs not been omitted from such books and balance sheets any asset which should properly find a place thereon.

That was a correct statement, was it not?

Mr. GAYLEY. I presume it was.

The CHAIRMAN. This is verified under oath by Messrs. Carnegie, Schwab, Phipps, Singer, Morrison, Clemson, Gayley, and Moreland. You are the James Gayley who swore to that statement?

Mr. GAYLEY. I am.

The CHAIRMAN. At what sum was that property turned into the United States Steel Corporation at the time of its organization—what capitalization; what consideration did they get in bonds and stock?

Mr. GAYLEY. They get par for their bonds, and Mr. Carnegie took par and a half in bonds for his stock; that is, Mr. Carnegie and practically his family associates; and the others took par for bonds and practically one and a half in preferred, and one and a half in common stock of the corporation.

The CHAIRMAN. In round numbers, taking the stock and bonds at par, the Carnegie Co. was capitalized at about $320,000,000, was it not?

Mr. GAYLEY. Something like that.

(The committee thereupon took a recess until 2 o'clock p. m.)

AFTER RECESS.

STATEMENT OF MR. JAMES GAYLEY—Resumed.

The CHAIRMAN. Mr. Gayley, you speak of the steel interests under the Carnegie régime owning but little ore. At the time that this ore was owned by individuals in the Mesabi and other ranges, at what could a ton of ore be secured? What was the royalty for, say, 55 per cent of metallic?

Mr. GAYLEY. At what time?

The CHAIRMAN. Before these holdings commenced, at the time the Carnegie Co. was in operation, before the policy of buying up these ores by the various manufacturing concerns was instituted?

Mr. GAYLEY. From 25 to 60 cents a ton.
The CHAIRMAN. That was the royalty?
Mr. GAYLEY. The royalty.
The CHAIRMAN. At that time?
Mr. GAYLEY. At that time.
The CHAIRMAN. What year?
Mr. GAYLEY. I am speaking of the time now from 1890 to 1900.
The CHAIRMAN. What is the value of that same ore now?
Mr. GAYLEY. You mean as to royalty?
The CHAIRMAN. What is the cost of it? What is the royalty on it now in case it is held by individuals?
Mr. GAYLEY. The royalties, I imagine, would run now from, say, 50 to 90 cents.
The CHAIRMAN. Mr. Schwab has estimated that ore—the ore of the Mesabi region—at a dollar a ton. Is that a correct estimate of the value?
Mr. GAYLEY. It was worth that as raw material to the Steel Corporation for the purpose of converting into steel products.
The CHAIRMAN. In the capitalization of the United States Steel Corporation he estimates that $700,000,000 of the property represented by its capitalization is in iron. How much of that is high-grade ore?
Mr. GAYLEY. That was practically all high-grade ore.
The CHAIRMAN. Do you think Mr. Schwab's estimate is conservative—that it is worth a dollar a ton now?
Mr. GAYLEY. I think good ore, first-class ore, is worth a dollar a ton in the mine to any steel manufacturing company.
The CHAIRMAN. How do you account for that increase in price?
Mr. GAYLEY. You mean in royalties?
The CHAIRMAN. Yes, sir.
Mr. GAYLEY. The increase in royalties is owing to the fact that there were less ore bodies available; and as they became scarcer, the royalties went up.
The CHAIRMAN. Are there less ore bodies available? Have you not discovered vast areas of ore, since the discovery of the Mesabi Range, in Cuba and elsewhere?
Mr. GAYLEY. But not in that section. I am referring particularly to the royalty values in the Lake Superior region.
The CHAIRMAN. Are the ores any more valuable in one section than another if they have the same content of metal?
Mr. GAYLEY. They were at that time.
The CHAIRMAN. Are they now?
Mr. GAYLEY. It depends upon where you are going to deliver those ores.
The CHAIRMAN. Well, say to Pittsburg.
Mr. LINDABURY. Freight conditions, I suppose, would affect it.
The CHAIRMAN. Those ores in the Mesabi region are none of them, or very few of them, except those that go to Chicago or the lake ports, carried less than a thousand miles?
Mr. GAYLEY. They are carried about a thousand miles from the Mesabi Range to Pittsburg.
The CHAIRMAN. What would be the cost of transporting a ton of freight from Cuba to Pittsburg?

Mr. LINDABURY. You mean a ton of ore?
The CHAIRMAN. A ton of ore.
Mr. LINDABURY. Not other freight?
The CHAIRMAN. No.
Mr. LINDABURY. To Pittsburg?
The CHAIRMAN. Yes; to Pittsburg.
Mr. GAYLEY. I do not know exactly the freight rates, but I should say approximately about $3.25 a ton.
The CHAIRMAN. Including or excluding the tariff duty?
Mr. GAYLEY. Excluding it.
The CHAIRMAN. What does it cost to transport a ton of ore from the Mesabi region to Pittsburg?
Mr. GAYLEY. About $2.25.
Mr. LINDABURY. Does the evidence show—I do not recollect—whether they do transport ore from Cuba to Pittsburg?
The CHAIRMAN. The duty prevents it.
Mr. LINDABURY. Well, I mean there is no evidence that they actually do?
The CHAIRMAN. No.
Mr. LINDABURY. I did not recall it.
The CHAIRMAN. What is the duty on a ton of Cuban ore now, in briquets?
Mr. GAYLEY. The duty on all ores is the same.
The CHAIRMAN. Whether it is partly manufactured or not—no matter what its physical condition is?
Mr. GAYLEY. Yes; irrespective of its physical condition.
The CHAIRMAN. What is that duty?
Mr. GAYLEY. It is 20 cents, I think.
Mr. YOUNG. Twelve cents; 15 cents with 20 per cent off—12 cents.
The CHAIRMAN. It was 25 at one time.
Mr. BARTLETT. It was 40 at one time.
Mr. YOUNG. No; it never was 25. It went down from 40 to 32 under the Cuban duty; then the last tariff bill reduced it to 15 with 20 per cent off, which leaves it at 12. I think Mr. Gayley is off on his figures on the freight rate from Cuba.
Mr. LINDABURY. I think he did not claim to know definitely, did he?
Mr. YOUNG. No; he did not say definitely.
Mr. GAYLEY. There is no freight rate established from Cuba to Pittsburg.
The CHAIRMAN. That is just an estimate; I understood that.
Mr. LINDABURY. There, you see, he has no information at all, if there is no freight rate established. It is a pure guess, is it not? I do not mind even his guessing, if it appears as a guess; that is all. I hate to see something go down as evidence which really is not; that is all.
The CHAIRMAN. I assume that whether freight is shipped there or not, a man of Mr. Gayley's vast experience in transportation matters could form a fair estimate. I never traveled from here to London, and I doubt if I ever will; but I could form an estimate of what it would cost me to travel there. In the same way, I presume, he could form an estimate in the case of the Cuban rate, although he had never actually shipped a ton of freight that way.

One thing that makes those ores valuable to you, Mr. Gayley, or to the United States Steel Corporation, is the facility for transporting them from the mine to the mill, is it not?

Mr. GAYLEY. Quite so.

The CHAIRMAN. You have unusual facilities, highly developed?

Mr. GAYLEY. Yes.

The CHAIRMAN. From the day the ore goes into the steam shovel until it is dropped into the furnace?

Mr. GAYLEY. Yes.

The CHAIRMAN. Yesterday I said something about the number of cars that are engine-pulled from the Mesabi Range to the lake, and I assumed that possibly 100 of those cars could be pulled by an engine—which did seem an extravagant statement. I believe you made an estimate of how much?

Mr. GAYLEY. About 30.

The CHAIRMAN. What is the tonnage of one of these cars?

Mr. GAYLEY. Fifty.

The CHAIRMAN. Fifty tons?

Mr. GAYLEY. Fifty tons.

The CHAIRMAN. And you think it would be impossible for one of those engines to pull 100 of those cars?

Mr. GAYLEY. I do.

The CHAIRMAN. A great deal of my information is gathered, of course, from the public prints, and things like that. I want to submit to you, Mr. Gayley, a statement of the Duluth News-Tribune of June 11, 1911. The article is headed:

Haul 1,600 ore cars per day. Kelly Lake reports show that this is what the Great Northern is doing.

That is not one of your roads, I know.

Big Mallet engines haul great trains. Less speedy but more powerful, they are economical ore locomotives.

HIBBING, *June 12.*

News from Kelly Lake indicates that the Great Northern yards at that point are still keeping up their lead with regard to the amount of ore being loaded and shipped daily. The average runs about 1,600 cars a day loaded and about the same number shipped.

That is from Kelly Lake. That is just one mine, is it not—one station?

Mr. GAYLEY. I do not know. I do not know that station.

The CHAIRMAN (reading):

The chief shippers are the Dale, the Leonard, the Mahoning, the Stevenson, and the Hill.

Those are mines up there in the Mesabi region?

Mr. GAYLEY. Yes.

The CHAIRMAN (reading):

The cars running from 250 to 150 per diem for each of these mines. Many of the smaller properties are sending out all the way from a dozen cars to a hundred a day.

The big Mallet engines that were put on this run late in the fall last year are proving able to do what was expected of them, and haul a train of 125 loaded cars each without any trouble. These big engines are not quite as speedy as the older type of ore locomotive, but taking into consideration the much heavier loads that they will haul, they are proving economical. They are capable of hauling a train of 200 cars empty very readily.

No great change has so far been made in the amount of ore being handled over the Hibbing-Duluth line of the Duluth, Missabe & Northern road, one

train of 56 cars being sent out from here and about 3 a day over the Chisholm branch. The new Coleraine branch is sending out 14 trains a day, thus supplying a good share of the demand that has in the past been drawn from this district.

Do you think that is a probable story?

Mr. GAYLEY. It does not state where it hauls those trains to. It does not state that they are hauled to the dock.

The CHAIRMAN. Where would it probably haul them?

Mr. GAYLEY. Probably to some assembling yard. There are lots of them on the railroad. Moreover, that describes a certain type of engine owned by one road. It is not the engine in general use on the other roads, as I know them and have seen them in use during my visits.

The CHAIRMAN. I am not contradicting your statement, but I am calling your attention to this fact: It has been some years since you were there?

Mr. GAYLEY. Yes.

The CHAIRMAN. I am calling your attention to the improved facilities for handling the freight since you were there and the unimproved reduction in freight rate. As I say, it is not said for the purpose of contradicting the witness, but for the purpose of calling his attention to the condition that exists at present if that statement is true.

Mr. GAYLEY. That describes one locomotive only; does it not?

The CHAIRMAN. Yes; that is on the Great Northern. I wish to call your attention to this fact: The Great Northern seems to have superior facilities for handling freight to the roads owned by the United States Steel Corporation, if this be true.

Mr. GAYLEY. If it was equipped with all those engines, yes.

The CHAIRMAN. I notice that from Kelly Lake the rate per ton-mile—I quote now from a sheet of the Interstate Commerce Commission—is seven and thirty-five one-hundredths mills, or seven hundred and thirty-five one-thousandths of a cent.

Mr. YOUNG. From Kelly Lake to where?

The CHAIRMAN. To Duluth; and from Kelly Lake—which does not amount to anything; there are no docks there—to Two Harbors, or to the Allouez docks, it is eighty-four one-hundredths of a cent.

Mr. BEALL. Per mile?

Mr. YOUNG. Does it show the length of the haul?

The CHAIRMAN. Yes.

Mr. YOUNG. What is it?

The CHAIRMAN. One hundred and nine and four-tenths miles. I notice that the haul over the D. & I. R.—is that one of your roads?

Mr. GAYLEY. That is one of the corporation's roads.

Mr. BARTLETT. That is the Duluth & Iron Range.

The CHAIRMAN. The rate from, say, Tower Junction, a distance of 96 miles, to the lake, is $1.30.

Mr. YOUNG. The rate is only $1.

The CHAIRMAN. It is four mills or four-tenths of a cent per ton mile higher over the D. & I. R—that is what?

Mr. GAYLEY. The Duluth & Iron Range.

The CHAIRMAN (continuing). Than over the Great Northern. How do you account for that?

Mr. GAYLEY. I do not know.

Mr. LINDABURY. That would seem to show a desirable nonuniformity.

Mr. YOUNG. That can not be right, Mr. Chairman, because the rate from Tower is only 90 cents.

The CHAIRMAN. Then the Interstate Commerce Commission is wrong, because here it is in black and white. I have here the table of the Interstate Commerce Commission.

Mr. YOUNG. If their distance is right, 96 miles——

The CHAIRMAN. Here is a memorandum from Mr. Gayley, and I will file the sheet.

Mr. YOUNG. What does it say that is the rate on—ore?

The CHAIRMAN. Ore.

Mr. LINDABURY. Mr. Gayley tells me it is 90 cents.

Mr. YOUNG. It is 90 cents from Tower; it has been for years. I know that as well as I know the rate on a street-car line.

The CHAIRMAN. The rate is 90 cents from Tower Junction—that is, to Duluth.

Mr. YOUNG. Certainly.

The CHAIRMAN. Now, is it not true that you make a lower rate to Duluth than you do to Two Harbors?

Mr. GAYLEY. I do not understand; there is no ore that goes to Duluth over the Iron Range Road.

The CHAIRMAN. Exactly; but there is a rate of 90 cents, which has fooled my good friend Young, on ore to Duluth, when they do not send any ore to Duluth. The ore goes to Two Harbors, and your rate is 90 cents to Duluth, but it is 1.3 cents per ton-mile to Two Harbors while it is only .935 cent to Duluth.

Mr. YOUNG. Mr. Chairman, I wish to say that I have been at Two Harbors too many times to believe that they ship the ore via Duluth.

The CHAIRMAN. Of course, they do not; but they make a lower rate to Duluth than to Two Harbors, when they do not ship any ore to Duluth. I will show you the rate. Here is Tower Junction; the rate is 90 and the miles 96. Here is the number of cents per ton-mile—.935; rate, 90; Two Harbors; distance 69 miles; cents per ton-mile, $1.30. Is that correct? In other words, you make a rate on ore to a place you never ship it to which is much lower than the place to which you do ship it—not you, but the United States Steel Corporation.

Mr. GAYLEY. I am quite certain of it.

The CHAIRMAN. That is the startling statement that appears on the face of the reports of the Interstate Commerce Commission.

Mr. GAYLEY. There are no docks in Duluth, and they could not ship any ore if they wanted to.

The CHAIRMAN. Yes; and I can not understand why they publish that rate on ore, which is a much more reasonable rate than in fact they charge.

Mr. GAYLEY. I do not understand it.

The CHAIRMAN. I do not understand it, myself.

Mr. YOUNG. There is another thing about that, Mr. Chairman: There is nobody that ships any ore over that road except the United States Steel Corporation.

The CHAIRMAN. Yes; and the innocent Interstate Commerce Commission pick that up and see the rate to Duluth, and they say, "That

will stand; no use fooling with that;" and they forgot to dig down and dig up the real rate that is charged.

Mr. GAYLEY. There is no ore shipped over that road except the ore of the United States Steel Corporation—I mean from Tower Junction to Two Harbors.

The CHAIRMAN. I have here a note to the effect that the D. I. R. has no ore docks at Duluth, but quote a lower rate, which, however, is never used, as no ore is shipped to Duluth.

Mr. GAYLEY. There is no ore shipped on that road.

The CHAIRMAN. I just happened to see Tower Junction. Take another place. Do the independents ship from a place called Virginia?

Mr. GAYLEY. They do.

The CHAIRMAN. The rate from Virginia is 80 cents?

Mr. GAYLEY. Eighty cents.

The CHAIRMAN. It is a distance of 97 miles, about, is it not, from Duluth?

Mr. GAYLEY. I have not the distance to Virginia.

Mr. LINDABURY. Were you giving some testimony, Mr. Gayley?

Mr. GAYLEY. No; he asked me for the distance from Virginia to Duluth. I say that I have not that distance.

The CHAIRMAN. The Interstate Commerce Commission gives that as the distance. I have here calculated the rate per ton-mile. This is my figuring. At least, I did not do it; an engineer did it. It is a mere matter of figures. The rate from Virginia to Duluth is 0.93 cent per ton-mile.

Now, from Virginia to Two Harbors, where you did ship ore, is a distance of 70 miles, is it not?

Mr. GAYLEY. I have not the distance from Virginia to Two Harbors.

The CHAIRMAN. And the rate given is 1.14 cents. Mr. Gayley, the United States Steel Corporation runs from Virginia to Duluth, does it not?

Mr. GAYLEY. That is one branch.

The CHAIRMAN. One branch; but you have a continuous line from Virginia to Duluth running by Two Harbors to Duluth?

Mr. GAYLEY. No; the Duluth, Missabe & Northern Railway?

The CHAIRMAN. The Duluth, Missabe & Northern Railway.

Mr. GAYLEY. Pardon me, are you speaking of the Duluth, Missabe & Northern or the Duluth & Iron Range?

The CHAIRMAN. The Duluth & Iron Range. The Duluth & Iron Range runs via Two Harbors to Duluth?

Mr. GAYLEY. It does not bring ore from Virginia to Two Harbors. That ore goes over the Duluth, Missabe & Northern. I think at rare intervals, when there is some lack of accommodations on the Missabe & Northern, the ore may be diverted around to Two Harbors.

The CHAIRMAN. But what I am asking now is, there is a railroad, a line of railroad, which starts at Virginia and runs to Two Harbors and from Two Harbors to Duluth?

Mr. GAYLEY. Yes.

The CHAIRMAN. If that is the case, can you tell me why the rate from Virginia to Two Harbors should be 1.14 cents per ton-mile, while the rate to Duluth is 0.93 cent. Is there any reason for that?

Mr. GAYLEY. There is no difference as far as shipments or rates go, between Virginia and Tower; I mean, it is the same proposition. They all go to Two Harbors, and there is no convenience for ship-

ments by the Iron Range, whether they come from Tower or Virginia, at Duluth.

The CHAIRMAN. You do not catch my question.

Mr. LINDABURY. I thought he did, Mr. Chairman.

The CHAIRMAN. Maybe I did not get your answer. You run from here [indicating], to the lake. Here is Two Harbors and here is Duluth [indicating]. That is about right, is it not?

Mr. GAYLEY. Just the reverse.

The CHAIRMAN. The reverse? It does not make any difference. Now, a rate is quoted from Virginia to Two Harbors.

The CHAIRMAN. Can you tell me any reason why the rate should be different, why there should be that difference in the rates between the cars going over the same line between Virginia and Two Harbors, and going from Virginia to Two Harbors and thence to Duluth?

Mr. LINDABURY. He answered that—that it does not go over that road.

Mr. GAYLEY. Yes.

Mr. LINDABURY. I hope you will get it right, that the quoted rate is not over this route; it is to Two Harbors over another road.

The CHAIRMAN. I beg your pardon; the Interstate Commerce Commission quotes a rate that way, and he says there is such a road. Now, is it possible for a train of cars to start at Virginia and go to Two Harbors and thence to Duluth without ever getting off of the rails of the Duluth & Iron Range?

Mr. GAYLEY. Yes.

The CHAIRMAN. There is a road running in that direction?

Mr. GAYLEY. Yes; there is.

The CHAIRMAN. The Interstate Commerce Commission quotes a rate over that identical road, and it quotes one rate to Duluth and another rate to Two Harbors. Can you tell me why that difference exists?

Mr. GAYLEY. I can not.

Mr. YOUNG. Mr. Gayley, has the Iron Range got any ore docks at Duluth?

Mr. LINDABURY. Mr. Chairman, may I ask, are the rates that you are reading from rates published by the Interstate Commerce Commission?

The CHAIRMAN. Yes.

Mr. LINDABURY. And therefore approved by them?

The CHAIRMAN. Yes.

Mr. LINDABURY. The Supreme Court held in the Louisiana cases, I believe it was——

Mr. BARTLETT. No; in the Alabama case.

Mr. LINDABURY (continuing). That rates fixed by the Interstate Commerce Commission could not even be reviewed by the Supreme Court.

The CHAIRMAN. I understand. The Interstate Commerce Commission has the right, of course, to fix a rate or to establish a rate or publish a rate, but it often publishes rates that exist. The Interstate Commerce Commission is, in a way, in the same position as a grand jury. A grand jury might meet and fail to indict. That would not necessarily indicate the guilt or innocence of some person whose case was not brought before the grand jury.

Mr. LINDABURY. No; but the Supreme Court said that they must be conclusively presumed to be reasonable rates in all other jurisdictions.

The CHAIRMAN. Prima facie.

Mr. LINDABURY. No; not prima facie, but conclusively.

The CHAIRMAN. I hope the gentleman will not argue that when any rate is published by the Interstate Commerce Commission it can not be reviewed by the Congress and reviewed by that commission.

Mr. LINDABURY. Yes; that is what I contend.

I am advised that this matter has not been reviewed by the Interstate Commerce Commission, because there has been no complaint, and they have never investigated the rate. There are nearly 300,000 miles of railroad in the United States, and it is impossible for the Interstate Commerce Commission to fix a rate for each mile of road. When any complaint is made to the Interstate Commerce Commission, it often reviews that rate and lowers it or raises it, as the case may be. Now, this is one of the rates which has never come under the review of the Interstate Commerce Commission.

Mr. YOUNG. Mr. Chairman, will you permit me to ask a question here, to get things straight in my own mind?

The CHAIRMAN. Certainly.

Mr. YOUNG. Mr. Gayley, does the Duluth & Iron Range Railroad have any ore docks in Duluth?

Mr. GAYLEY. It does not.

Mr. YOUNG. Have they any at Superior?

Mr. GAYLEY. They have not.

Mr. YOUNG. Have they any docks anywhere else except at Two Harbors?

Mr. GAYLEY. They have not.

Mr. YOUNG. So that it is impossible for them to ship and deliver to vessels on the lake or at any point except Two Harbors?

Mr. GAYLEY. On their road.

Mr. YOUNG. On their road, and the other ores from the Mesabi Range, from Virginia, and like points, go over the Missabe Road?

Mr. GAYLEY. That is, of the ores of the corporation?

Mr. YOUNG. Yes.

Mr. GAYLEY. Yes.

Mr. YOUNG. They go over that road or the Hill road; there is no other way out to get to Duluth, is there?

Mr. GAYLEY. No, sir.

Mr. LINDABURY. Would you mind my asking if this rate to Two Harbors includes dock charges there?

Mr. YOUNG. Of course it does, on all the roads.

Mr. LINDABURY. Of course, there can be no dock charges at Duluth, therefore, because there are no docks. I would like to have that appear on the record, if you do not mind asking it.

Mr. YOUNG. Very well. Does this rate of 90 cents include dock charges at Two Harbors?

Mr. LINDABURY. More than that. I thought it was 1.3 to Two Harbors, according to what the chairman says.

Mr. YOUNG. Yes; but it is a 90-cent rate, all the same.

The CHAIRMAN. To Duluth.

Mr. YOUNG. A 90-cent rate to Two Harbors, I think.

Mr. LINDABURY. No.
Mr. YOUNG. I think that is right.
Mr. LINDABURY. The chairman made it a dollar.
Mr. YOUNG. The distance is shorter, so that if it is a 90-cent rate to Two Harbors and to Duluth, and the distance to Two Harbors is shorter, of course the rate per ton-mile would be higher. That is the way he gets it.
Mr. LINDABURY. I see now. I did not comprehend before.
The CHAIRMAN. The Great Northern, with these tremendous engines that carry 125 cars at a time, has a line from Virginia to Two Harbors, has it not?
Mr. GAYLEY. It has not.
The CHAIRMAN. Has it a line from Virginia to Allouez Dock?
Mr. GAYLEY. It has a connection in Virginia City, and the dock is the Allouez Bay Dock.
The CHAIRMAN. That is on Lake Superior?
Mr. GAYLEY. Yes.
The CHAIRMAN. How far is it from Allouez?
Mr. GAYLEY. I presume 25 miles.
The CHAIRMAN. So that they practically reach the lake at the same point, from a railroad standpoint? There is no difference in the cost of sending a cargo to Allouez for Two Harbors; that is across the lake?
Mr. GAYLEY. No; a vessel ought to be, from either port, the same; from either dock the same.
The CHAIRMAN. Now, I find that the rate per ton-mile over the Great Northern is 0.815 cent, or 8.15 mills, and that the rate over the Duluth & Iron Range to the same lake, at a point 25 miles distant, is 1.14 mills. How do you account for that difference of rate per ton-mile, from the same point to the same point, by two different railroads?
Mr. GAYLEY. The rate is the same for both roads. There are various mining camps on the Mesabi Range, some a greater and some a less distance from the dock. It is the same rate to all for ore. If you take a far-distant point the rate per ton-mile is less. If you take a far-distant line it is less. You are comparing in this case a longer distance over the Great Northern for the same rate, as against a shorter distance on the Missabe Northern. There can be any number of comparisons made between those several roads by taking the tonnage or taking the distance from the docks of the various mining camps which all have a uniform rate. It means a greater or less divisor into the same rate.
The CHAIRMAN. But the fact remains to which I am calling your attention—that while one road may be a little more circuitous than the other and may have a few miles more to haul, you have two roads starting from the same point and going to the same point, practically, with this difference in freight rate, a difference of 29 mills per ton-mile.
Now, those cars are loaded in the same way, practically, are they not, and they are emptied in the same way?
Mr. GAYLEY. They are.
The CHAIRMAN. The only difference between the Great Northern and the Duluth & Iron Range is that it is a little shorter line; is that all? It takes a little longer to haul?

Mr. GAYLEY. You say the Duluth & Iron Range to Two Harbors?
The CHAIRMAN. Is a little shorter?
Mr. GAYLEY. Yes; a little shorter than to Allouez Bay.
The CHAIRMAN. Where there is a difference of 15 or 20 or 30 miles, is not that a matter of small importance, comparatively, in railroad parlance, where you have the same terminal facilities at both ends?
Mr. GAYLEY. I think you misunderstood me when I said those docks were 25 or 30 miles apart.
The CHAIRMAN. I know they are. One of those is 136 miles and the other one is 97 miles.
Mr. GAYLEY. Yes.
The CHAIRMAN. A difference of 38 miles. Do you believe that a difference of 38 miles would account for a difference in rate of practically five-tenths of a cent per ton-mile? That is a pretty good rate for hauling freight of itself.
Mr. GAYLEY. They have a uniform rate for all the mines, no matter where they are located. You can make a comparison with the Iron Range as against the Great Northern at that point or at another connecting point, at large, in the other way. There is one uniform rate to all the miners of ore on that range, no matter to what dock they go.
The CHAIRMAN. And those roads are owned by different people?
Mr. GAYLEY. They are owned by different people; the Great Northern and the Iron Range and the Missabe.
The CHAIRMAN. They are owned by different concerns?
Mr. GAYLEY. They are.
The CHAIRMAN. And yet there is between them an absolute understanding by which they charge the same rate per ton-mile?
Mr. GAYLEY. I do not know that there is any understanding between them; I only know that they charge the same rate per ton-mile.
The CHAIRMAN. Is not that a remarkable coincidence, if there is no understanding?
Mr. GAYLEY. I do not think so. Other roads had the rate in use, and if a new road was built and connected, it adopted the rate already in existence, which it could do without any agreement.
Mr. YOUNG. Mr. Gayley, did you ever know of two railroads running between the same points, the same terminals, that had different rates?
Mr. GAYLEY. I never did.
Mr. LINDABURY. From the beginning of the world.
Mr. YOUNG. It is true that two roads running between the same points make the same charge for the entire haul and not the same rate per ton-mile?
Mr. GAYLEY. They make the same charge.
The CHAIRMAN. For the entire haul?
Mr. GAYLEY. For delivery from one point to another—from one terminal to another.
The CHAIRMAN. That is the usual rule.
Mr. YOUNG. That is the rule here.
The CHAIRMAN. No; I beg your pardon.
Mr. YOUNG. What is it?
The CHAIRMAN. A ton of ore is loaded at Virginia.
Mr. YOUNG. Yes.
The CHAIRMAN. And it goes to Two Harbors.
Mr. YOUNG. At the cost of 90 cents.

The CHAIRMAN. It costs at Virginia 1.14 cents.

Mr. YOUNG. No, no; how much did it cost for the ton; not how much per ton-mile?

The CHAIRMAN. I am speaking about the ton-mile.

Mr. YOUNG. The ton-mile is different in every one of those cases.

The CHAIRMAN. That is what I wanted to get him to explain.

Mr. YOUNG. The total rate is the same.

Mr. GAYLEY. And so do these roads; and no doubt more than the trunk lines of the East. I refer particulary to the Iron Range Road, which, I think, has greater hardships to overcome in that direction than the Missabe & Northern.

The CHAIRMAN. So far as the Duluth & Iron Range Road follows the general contour of the surface of the earth, and fails to overcome these difficulties by grading and cuts, to just that extent it cheapens the cost of its construction, does it not?

Mr. GAYLEY. Naturally. It is better to have grades than to put everything on an absolute level.

The CHAIRMAN. The nearer your road follows the level, the cheaper its construction, is what I mean?

Mr. GAYLEY. The nearer it follows——

The CHAIRMAN. The contour of the earth?

Mr. GAYLEY. Yes; naturally.

The CHAIRMAN. Do you know how many tons a day are transported over the Duluth & Iron Range and the Missabe & Northern?

Mr. GAYLEY. I can not tell you what the average is per day. The Missabe & Northern ships approximately 13,000,000 tons in about seven months.

Mr. BARTLETT. Just one minute. You have been asked about the number of cars being hauled in a trainload of ore. You said 50 tons to a car, and Mr. Stanley asked you about 100 cars in a train. Did you say that?

Mr. LINDABURY. He did not assent to it.

Mr. BARTLETT. I want to find out what he said.

Mr. GAYLEY. Personally, I did not know about it.

Mr. BARTLETT. Those cars are about 36 feet long, are they not?

Mr. GAYLEY. About that.

Mr. BARTLETT. And 100 cars would be about 2,600 yards, would it not?

Mr. GAYLEY. One hundred cars would be——

Mr. BARTLETT. Three thousand six hundred feet?

Mr. GAYLEY. Three thousand six hundred feet.

Mr. YOUNG. About two thirds of a mile.

Mr. LINDABURY. The estimate of the witness was 30 cars, as what should be hauled.

Mr. BARTLETT. Yes; but I wanted to get those particulars.

Mr. LINDABURY. If they had 100 cars in a train, it would be two-thirds of a mile in length, if the cars were 36 feet long. He said that was the length of a car, about.

Mr. BARTLETT. You say you think they carry about 50 cars to the train; is that what I understand you to say?

Mr. GAYLEY. No; my estimate was of about 30, or perhaps 35 cars. I can only speak of my recollection when I was identified with that business.

Mr. BARTLETT. If a train was two-thirds of a mile long, carrying 50 tons to the car, it would be a pretty heavy train?

Mr. LINDABURY. Yes.

Mr. BARTLETT. And do you generally haul a train like that from Duluth to the mines? Can that be done?

Mr. LINDABURY. They generally use a single engine.

Mr. GAYLEY. A single engine on all the trains I have ever seen.

The CHAIRMAN. Your steamers go to Conneaut, Ohio, do they not?

Mr. GAYLEY. The steamers of the United States Steel Corporation go to various lake ports, and Conneaut is one of them.

The CHAIRMAN. Excuse me for saying "your steamers." I mean the steamers of the corporation. I forget, sometimes, that Mr. Gayley is not any longer connected with the corporation. There is the line of the W. S. B., running from Conneaut harbor to Clairton, Pa.?

Mr. GAYLEY. The Bessemer & Lake Erie goes down there.

The CHAIRMAN. Then I have another road here, the Pittsburgh & Lake Erie.

Mr. GAYLEY. That is the Pittsburgh & Lake Erie.

The CHAIRMAN. And then there is the W. S. B.

Mr. GAYLEY. I do not know that road.

The CHAIRMAN. Very well. The distance is 96 miles from Conneaut Harbor to Clairton?

Mr. GAYLEY. To Clairton?

The CHAIRMAN. And the rate per ton is 5.9 mills, or fifty-nine hundredths of a cent, over this W. S. B.

Mr. GAYLEY. To Clairton?

The CHAIRMAN. Yes.

Mr. GAYLEY. There must be some mistake.

The CHAIRMAN. No; this is per ton-mile.

Mr. GAYLEY. There must be some mistake in that distance.

The CHAIRMAN. I think not. Well, I have here these figures which are deductions drawn from the tables of the Interstate Commerce Commission. No; that is my mistake. The distance is 158.6 miles.

Mr. GAYLEY. Yes.

The CHAIRMAN. You know nothing about that road?

Mr. GAYLEY. What road is that?

The CHAIRMAN. The W. S. B.?

Mr. GAYLEY. I do not.

The CHAIRMAN. Do you know the Pittsburg & Lake Erie?

Mr. GAYLEY. Yes.

The CHAIRMAN. How does that road compare in construction and operation with the Duluth & Iron Mountain?

Mr. GAYLEY. Well, they are both good roads.

The CHAIRMAN. The rate per ton-mile from Bessemer over the Pittsburg & Lake Erie from Conneaut Harbor to Bessemer is 6.25 mills.

Mr. GAYLEY. There is some mistake there. The Pittsburg & Lake Erie Road does not run into Conneaut Harbor.

The CHAIRMAN. This is given to me here, from Conneaut Harbor, Ohio, to Bessemer, Pa.

Mr. GAYLEY. The Pittsburg, Bessemer & Lake Erie runs there.

The CHAIRMAN. Probably that is the road, but it is marked here as the Pittsburg & Lake Erie.

Mr. GAYLEY. It is a different road.

The CHAIRMAN. Here is the Pittsburg & Lake Erie again, and the Bessemer & Lake Erie. They are both marked the same thing, running from Conneaut Harbor to Rankin. Do you know about such a road as that?

Mr. GAYLEY. That is the same road.

The CHAIRMAN. How does that road compare with the Duluth & Iron Mountain?

Mr. GAYLEY. It is the same kind of a road; it is an ore road principally.

The CHAIRMAN. An ore road; the same kind of road?

Mr. GAYLEY. Yes.

The CHAIRMAN. The rate over the Duluth & Iron Mountain is 1.3 cents. The rate over this road is 0.61 cents per ton-mile. How do you account for that difference?

Mr. GAYLEY. I do not know anything as to that. I will not vouch as to the correctness of any calculations there.

The CHAIRMAN. That is as it was given to me.

Mr. GAYLEY. But there is a difference in the service. The Bessemer & Lake Erie Road hooks onto a trainload of cars and carries them to the works and leaves them; but, as I have already explained, these Minnesota roads hold the ore from the mines in stock pile, according to its grades, and deliver it to the docks, into the vessels. They do an extra service.

Mr. LINDABURY. As to these statements, I would like to know from the chairman as to their authenticity. Who prepared them?

The CHAIRMAN. These statements are copied from the sheets furnished me by the Interstate Commerce Commission, with the addition of the calculations of the rate per ton-mile by an engineer.

Mr. LINDABURY. What engineer, if I may ask the chairman?

The CHAIRMAN. He is a skilled engineer.

Mr. LINDABURY. Well, I know, but if we may know——

The CHAIRMAN. He was a mathematician. It is just like adding 2 and 2 to make 4. If the calculations are incorrect, they can be corrected.

Mr. LINDABURY. But if one knows who has done a bit of scientific work he is often willing to accept it without verification.

The CHAIRMAN. It was done by a man who was for a long time in the employ of the Carnegie Steel Co. and the United States Steel Corporation. I prefer not to name him.

Mr. LINDABURY. We could judge him better by himself than by his employer.

The CHAIRMAN. I do not think that is a matter that is material. You have there the distances. All these figures are from the Interstate Commerce Commission on these sheets [indicating]. All that this man has done is simply to make calculations from those figures. It is just like the Interstate Commerce Commission had given me a column of figures and I had gotten somebody to add them up. It is a mere matter of calculation.

Mr. LINDABURY. It is in as a matter of testimony, and the chairman has not verified it. I think we are entitled to know the names of witnesses of all kinds.

The CHAIRMAN. This is an employee of mine, whom I have employed to make those calculations. I do not think it is material who he is.

Mr. LINDABURY. I see. So that it is your work?

The CHAIRMAN. Yes; I vouch for it, and I think the calculations are correct; and if they are not, it is easy enough for you to correct them, because the rate per ton-mile is calculated from the figures given by the Interstate Commerce Commission. They give the distances and the rates charged. They give the length of the haul in each case, the number of miles, and the rate charged.

Mr. LINDABURY. May I ask, Mr. Chairman, if this is the work of Mr. Tindall?

The CHAIRMAN. It is the work of quite a smart man.

Mr. LINDABURY. May I ask if it is the work of Mr. Tindall?

The CHAIRMAN. Oh, certainly; certainly.

Mr. LINDABURY. I may not ask you?

The CHAIRMAN. This need not be put in the record.

(The chairman here exhibited the sheets referred to to Mr. Lindabury and Mr. Gayley and further explained them.)

Mr. GAYLEY. It is a mere matter of division.

The CHAIRMAN. A mere mattter of division. He may have done it correctly, or he may not. If it is incorrect, it shows on its face.

Mr. LINDABURY. It is unproven.

The CHAIRMAN. Well, it is my calculation; I made the calculation, with the assistance——

Mr. DANFORTH. If you want to have it in the minutes, Mr. Chairman, why not say by whom the calculation was made?

The CHAIRMAN. This calculation I made, with such expert assistance as I could get, because I am not up on complicated mathematics; but it is a mere matter of mathematical calculation; that is all.

Mr. LINDABURY. May I ask if the chairman has himself verified a single calculation on that paper?

The CHAIRMAN. If the calculation is incorrect, you can verify it.

Mr. LINDABURY. Has the chairman himself verified a single calculation on that paper?

The CHAIRMAN. As far as the chairman is capable of it.

Mr. LINDABURY. The chairman has had some one do it whose name he refuses to divulge?

The CHAIRMAN. Absolutely.

Mr. LINDABURY. So that it is to go in as hearsay evidence, without even the author's name being given?

The CHAIRMAN. I will ask Mr. Gayley this. I think you understand it, Mr. Gayley, because you are a skilled mathematician. It is easy enough to verify it from the paper? If the man has made any mistake in the calculations from the figures of the Interstate Commerce Commission, it is easy enough to verify them from the paper?

Mr. LINDABURY. I object to that question and ask the witness not to answer that. He has not inspected that in any way that would enable him to give an intelligent answer.

The CHAIRMAN. I will ask the witness to inspect the paper and answer the question.

Mr. LINDABURY. I do not think the witness is called upon to answer that.

The CHAIRMAN. I think he is, and I ask him to do that.

Mr. GAYLEY. I do not understand the question.

The CHAIRMAN. If there is any mistake made in calculating the rate per ton-mile from the figures of the Interstate Commission, it would appear by a verification of those figures, would it not?

Mr. LINDABURY. I object to that being answered. It does seem to me, in all fairness, Mr. Chairman, that if the committee thinks it desirable to have mathematical calculations made, they ought to prove them in the usual way, by at least calling the one who made them, and letting him say that they are accurately made.

The CHAIRMAN. In all candor, it does not concern you, gentlemen, whom I have employed as my office boy or my clerk, nor who made these figures. It is a mere matter of detail and of calculation. If the gentleman wishes it, I will put some engineer on the stand and have those figures verified; but I have before me a skilled engineer, who thoroughly understands the method by which these figures were calculated and who knows very well whether he is being done an injustice or not, and he is making no protest, and will make none, because he knows too much about this business to make it.

Mr. YOUNG. May I inquire whether the chairman has had the calculations made as to the rates per ton-mile on the roads feeding the Michigan ranges, the Duluth & South Shore, and the Chicago & Northwestern, and so forth?

The CHAIRMAN. I do not know how many I have had. It shows on that sheet, but I can not carry it in my head.

Mr. YOUNG. And if the chairman has not, will he have them made?

The CHAIRMAN. If you desire.

Mr. YOUNG. I would like to have them in, if we are to have this matter of the rate per ton-mile.

The CHAIRMAN. What I wish to ask, Mr. Gayley, is this: You understand that the rate per ton-mile is calculated there by an expert, say, by the chairman, who is fallible and may make mistakes. If there is a mistake in the rate per ton-mile can it not be discovered by any mathematician capable of making such a calculation from the figures of the Interstate Commerce Commission, just as a column of figures can be verified where the mathematician does nothing but put down the sum total of all the figures?

Mr. LINDABURY. I object to that question and advise the witness not to answer.

The CHAIRMAN. He may answer. The objection is overruled.

Mr. LINDABURY. I think it is a question he can not give an intelligent answer to.

Mr. GAYLEY. I can only say with reference to the question, generally, Mr. Chairman, that any error in any calculation can be corrected by a careful examination of the figures, and so can these.

The CHAIRMAN. What I am asking you is this: If the other figures, if the figures given by the Interstate Commerce Commission are correct, is it or not easy to verify the correctness of the deductions drawn as to the rate per ton-mile from the figures given by the Interstate Commerce Commission, if there are any such errors?

Mr. GAYLEY. I do not understand the question.

Mr. BARTLETT. May I ask a question, to see if I understand? Do you understand what Mr. Stanley wants?

Mr. GAYLEY. The only thing I get, Judge Bartlett, as to what he wants is, if these calculations are not correct, can somebody go over them and make them correct.

Mr. BARTLETT. You understand that that can be done?

Mr. GAYLEY. What is that?

Mr. BARTLETT. Taking the facts and statements made there, and the figures upon which they are based, if they are incorrect, it can be ascertained and corrected? Are you willing to say that?

Mr. GAYLEY. Yes.

Mr. BARTLETT. That is all you have said?

Mr. GAYLEY. Yes.

Mr. BARTLETT. You know nothing about the correctness?

Mr. GAYLEY. I know nothing about the correctness.

Mr. BARTLETT. And the figures upon which the calculation is based?

Mr. GAYLEY. I have no doubt in the world but what the correctness can be ascertained by a thorough examination of the data and an investigation of the calculations made.

Mr. BARTLETT. Exactly.

Mr. LINDABURY. Now, the point I want to submit to the committee is that no burden like that ought ever to be put upon any parties interested in an inquiry or investigation. Of course, whenever any calculation is put in, in any proceeding, if time enough is put upon it, it can be verified and errors corrected; but the laws everywhere and courts everywhere put the burden upon the person who offers a calculation to put in prima facie evidence as to its accuracy, and he is not allowed to put in anything and say, "If it is not right, you find it out."

The CHAIRMAN. I have stated here to the witness evidence to show, from a paper, that there were 15,000 cars hauled daily over the Great Northern, and the witness stated that those cars contained how many tons, Mr. Gayley?

Mr. GAYLEY. Fifty tons.

The CHAIRMAN. Fifty tons?

Mr. GAYLEY. Yes.

The CHAIRMAN. If the statement of the number of cars and the number of tons they carry is admitted, the total of the number of tons hauled by all the cars is merely a matter of calculation, which calculation could be made by the witness or could be made by the chairman, or by anybody else. Now, suppose I ask Mr. Bartlett to make me that calculation; that is not a matter of importance. The data upon which that rate per ton-mile is fixed are given by the Interstate Commerce Commission, as I understand it; are they not, Mr. Gayley?

Mr. GAYLEY. I believe so.

The CHAIRMAN. Yes. The ascertaining of the rate per ton-mile is a mere matter of calculation, is it not?

Mr. GAYLEY. That is a calculation.

The CHAIRMAN. From the data given?

Mr. GAYLEY. From the rate and the mileage traveled.

The CHAIRMAN. That is all; and it does not matter who made that calculation; it is like the mere addition of a column of figures. If the statements made by the Interstate Commerce Commission are correct, then this calculation is easily verified. If it is incorrect, it can be established very easily, admitting the truth of the statements of the Interstate Commerce Commission.

Mr. YOUNG. Mr. Chairman, there is one question I would like to ask. These tables are stated to be copies of reports made by the Interstate Commerce Commission with some additional figures. Has the chairman himself compared these with the statements made by the Interstate Commerce Commission, to know that they are correct?

The CHAIRMAN. Practically; yes. I have compared them the best I could. If you want to know, I gave the Interstate Commerce Commission sheets to my employees in my office and told them to copy them. I did not take each figure and number. These are copies of the sheets of the Interstate Commerce Commission, made in my office by people who are in the habit of copying correctly, and verified by them. I am not going into the detail of copying every sheet and seeing that they are correctly copied.

Mr. YOUNG. Nobody would expect the chairman to do that, but it seems to me—he has given us how they were made——

The CHAIRMAN. Those were made by B. J. Hunter, my secretary—those copies.

Mr. LINDABURY. You do not mean that the calculations were made by him?

The CHAIRMAN. No, sir.

Mr. LINDABURY. The fellow who made the calculations is the one I would like to know about.

The CHAIRMAN. I shall not employ anybody that I do not think is entirely capable and honorable and honest in every way; but right in the beginning will say to the gentleman that it does not concern the United States Steel Corporation whom I employ, or what they do, so long as they do nothing wrong and so long as they do not state anything as a fact which is not a fact. In other words, it does not matter who my adding machines are; if there are mistakes made, they can be verified.

Mr. LINDABURY. It might, if you would produce the machine and let a few of us work on it. There are no references here to the pages of the Interstate Commerce report. Why do you not give these to us until the next session, and then we can have this matter verified, and it will not go in and be forgotten.

The CHAIRMAN. Here, I will put these in. Let them be copied. These are sheets from the original files of the Interstate Commerce Commission. We will get this settled right now.

(The original sheets referred to were here examined by Mr. Bartlett and Mr. Lindabury.)

Mr. LINDABURY. Now, as I understand, these are the sheets furnished by the Interstate Commerce Commission. If those are put in, my objection is void.

The CHAIRMAN. Those are the original sheets.

Mr. LINDABURY. This is not from the Interstate Commerce Commission [indicating sheets]?

Mr. BARTLETT. I understand that it is.

Mr. LINDABURY. Mr. Chairman, did your office make that [indicating]?

The CHAIRMAN. No, sir; those sheets are from the Interstate Commerce Commission.

Mr. LINDABURY. These are the original sheets from the Interstate Commerce Commission?

The CHAIRMAN. And one of my own men made a copy of these sheets, so that they could go back into the files of the commission. The paper which I had first, containing the rates per ton-mile, is the copy made by my clerk.

Mr. BARTLETT. This is the original from the files of the Interstate Commerce Commission?

Mr. LINDABURY. If we have all the data that were used for making these computations, then we can verify them.

The CHAIRMAN. You have there all the data used in making the computations. I have put in no data of any kind, shape, or description that did not come from the Interstate Commerce Commission. It is exactly as if the Interstate Commerce Commission should give me the names of 100 different rabbits that ran 100 different distances and I should get somebody to calculate for me the rate of speed per mile of each rabbit. The Interstate Commerce Commission has given the distance and the rate for that distance, and I have had the rate per ton-mile calculated in each case. I do not think Mr. Gayley would claim that that was doing him any injustice.

Mr. LINDABURY. As I have said, we are satisfied if the data from which the calculations were made are put in. Then we can verify them.

The CHAIRMAN. That is all in.

Mr. BARTLETT. I would suggest that this paper which was offered in evidence by the chairman seems to be a copy of this which is said to be the original, except there is added in the copy made for the chairman the calculation by the expert of the rate per ton-mile.

Mr. LINDABURY. I judge from what has lately been said that these calculations of the expert were first put in pencil on the original copy of the Interstate Commerce Commission.

The CHAIRMAN. Yes; and if that be treason, make the most of it.

Mr. LINDABURY. This is headed, "Memorandum for Mr. Gitterman." Who is he?

The CHAIRMAN. I do not know a thing about that, except that those sheets came from the Interstate Commerce Commission with the memorandum that they must be returned. I did not go down there to get them.

Mr. LINDABURY. Will these be returned?

The CHAIRMAN. They will be returned to the Interstate Commerce Commission.

Mr. LINDABURY. This [indicating original sheets]?

The CHAIRMAN. Yes, sir; that.

Mr. LINDABURY. You did not mark up something that the Interstate Commerce Commission said must be returned to it?

The CHAIRMAN. Yes; and I am responsible to the Interstate Commerce Commission alone.

Mr. LINDABURY. I would not suppose you would want to mark up something that was from their files. That is a surprise to me. There is a great deal more in here than you offer?

The CHAIRMAN. Yes.

Mr. LINDABURY. Are you offering this whole file?

The CHAIRMAN. No, sir; I am just offering that much of it.

Mr. LINDABURY. Why not offer the whole thing?

The CHAIRMAN. Because it has no relevancy.

Mr. LINDABURY. May I look at it and see?

The CHAIRMAN. Yes, sir.

Mr. LINDABURY. I do not mean to express a doubt about you, Mr. Chairman, but I want to see all that the Interstate Commerce Commission sent you, as you do not want to put in the rest of it.

The CHAIRMAN. The rest has no relevancy to this. I will show it to you after this is over. It is a lot of memoranda about one thing and another, and has nothing to do with the case, like "the flowers that bloom in the spring."

Mr. LINDABURY. I am getting more interested in it every minute.

The CHAIRMAN. Well, I will make you courious. I will put in, so that the verification may be complete, this copy which I have referred to, which was made in my office, containing the calculations made for me of the rates per ton-mile. I want to say that I have not the slightest idea that anybody connected with this thing would object; it is simply that I do not concede the right to attorneys for the United States Steel Corporation or anybody else outside of this committee, or the Federal Congress, to become curious as to the employees of this committee, in so far as they are not on the witness stand.

Mr. BARTLETT. Mr. Chairman, I think if we have experts we ought——

The CHAIRMAN. To put them on the stand?

Mr. BARTLETT. Yes; and so far as I am concerned, I have no desire to know what experts we have.

Mr. BEALL. I think, Mr. Chairman, it is very largely a quibble about nothing.

The CHAIRMAN. Absolutely.

Mr. BEALL. And if those are figures of the Interstate Commerce Commission we can verify them and have them entered in the record in such a way that no possible suspicion can be cast on them.

The CHAIRMAN. That is what I am going to do.

Mr. BEALL. And it will be better for the committee and better for the record that that proof be supplied and that these figures go in without anybody having the right to question their correctness.

The CHAIRMAN. In order that that may be done, I will file the original sheets also of the Interstate Commerce Commission.

Mr. LINDABURY. Are you filing all that you got from the Interstate Commerce Commission, or part of them?

The CHAIRMAN. All that I introduced in evidence; all that touch this matter and are relevant here.

Mr. LINDABURY. I saw one there that I thought——

The CHAIRMAN. Oh, I have stacks of papers from the Interstate Commerce Commission.

Mr. LINDABURY. I saw one you were detaching that you did not introduce in evidence.

The CHAIRMAN. I did not say anything about it.

Mr. LINDABURY. You have some touching the Bessemer road that runs to Conneaut, have you not?

The CHAIRMAN. No, sir. These are the only two sheets that I quoted from.

Mr. LINDABURY. Mr. Chairman, are you about through with this witness?

The CHAIRMAN. I think not. You have taken up so much time on my expert that you have interfered with my progress. Let both of these papers go in the record.

(The two orignal sheets from the files of the Interstate Commerce Commission, heretofore referred to, are here printed in full in the record, as follows:)

[Memorandum for Mr. Gitterman, Mar. 26, 1910.]

Statement showing rates in cents per ton of 2,240 pounds on iron ore from and to points shown.

From—	To Duluth, Minn.				To Allouez Docks, Wis.			
	Rate.	Miles.	Minimum.	I. C. C. tariff.	Rate.	Miles.	Minimum.	I. C. C. tariff.
Ellis, Minn	80	95.7	A	G. N. A2075	80	91	A	G. N. A2756.
Hibbing, Minn	80	111.5	A	do	80	106.8	A	Do.
Kelly Lake, Minn	80	109.4	A	do	80	95.2	A	Do.
Mahoning, Minn	80	114.1	A	do	80	108.2	A	Do.
Virginia, Minn	80	135.9	A	do	80	98.2	A	Do.

From—	To Duluth, Minn.				To Two Harbors ore docks, Minn.			
	Rate.	Miles.	Minimum.	I. C. C. tariff.	Rate.	Miles.	Minimum.	I. C. C. tariff.
Ely, Minn	100	116	B	D. & I. R. 167	100	89	B	D. & I. R. 166.
Eveleth, Minn	80	100	B	do	80	73	B	Do.
Tower Junction, Minn	90	96	B	do	90	69	B	Do.
Virginia, Minn	80	97	B	do	80	70	B	Do.

From—	To Duluth, Minn.				To Ashland, Wis.			
	Rate.	Miles.	Minimum.	I. C. C. tariff.	Rate.	Miles.	Minimum.	I. C. C. tariff.
Coleraine, Minn	80	85.3	B	D. M. & N. 101				
Eveleth, Minn	80	70.5	B	do				
Hibbing, Minn					135	162.7	C	G. N. A2346.
Virginia, Minn					135	154.1	C	Do.

NOTE.—"A" minimum weight visible capacity of car. "B" minimum weight in steel ore cars, 40 gross tons; minimum weight in wooden ore cars, 20 gross tons. "C" minimum weight 50,000 pounds, except that on cars loaded to full visible capacity and weighing less than 50,000 pounds, actual weight will govern.

From—	To Pittsburg, Pa.				
	Rate when loaded direct from vessels.	Rate when loaded from docks.	Distances in miles.	Delivering line.	I. C. C. tariff.
Cleveland, Ohio	A96	B104	165.9	B. & O.	B. & O. 8550
Ashtabula Harbor, Ohio	A96	B104	130.1	P. & L. E.	L.S.& M.S. A2485

The Bessemer & Lake Erie Railroad Co. does not name rates on iron ore from Conneaut, Ohio, to Pittsburg, Pa., but only to following points in the Pittsburg district.

Statement showing rates in cents per ton of 2,240 pounds on iron ore from and to points shown—Continued.

To—	From Conneaut Harbor, Ohio.				
	Rate when loaded direct from vessels.	Rate when loaded from docks.	Distances in miles.	Delivering line.	I. C. C. tariff.
Bessemer, Pa	A96	B104	149.6	P. & L. E	
Clairton, Pa	A96	B104	158.6	W. S. B	
Cochran, Pa	A96	B104	151.5	B. & L. E.—URR	
McKeesport, Pa	A96	B104	153.6	P. & L. E	
Munhall, Pa	A96	B104	152.6	B. & L. E.—URR	
Rankin, Pa	A96	B104	153.3	P. & L. E., B. & L. E.—URR	

Minimum weights, 15 gross tons from Conneaut Harbor, Ohio. Twenty-five gross tons from Cleveland and Ashtabula Harbor, Ohio, unless marked capacity of car is less, in which case the minimum weight will be marked capacity of car, but in no case less than 15 gross tons.

NOTE.—"A" includes allowance of 2 cents per gross ton to dock company to cover handling of ore from rail of vessel to cars. "B" includes allowance of 10 cents per gross ton to dock company to cover handling of ore from vessel to dock and reloading on cars.

(The copy of the two sheets from the files of the Interstate Commerce Commission, containing the calculations referred to, of the rates per ton-mile inserted, made for the chairman, are here printed in full in the record, as follows:)

[Memorandum for Mr. Gitterman, Mar. 26, 1910.]

Statement showing rates in cents per ton of 2,240 pounds on iron ore from and to points.

From—	To Duluth, Minn.					To Allouez Docks, Wis.				
	Rate.	Miles.	Cents.	Minimum.	I. C. C. tariff.	Rate.	Miles.	Cents.	Minimum.	I. C. C. tariff.
Ellis, Minn	80	95.7	0.835	A	GN. A2075	80	91	0.875	A	GN. A2756
Hibbing, Minn.[1]	80	115.5	.72	A	...do	80	106.8	.745	A	Do.
Kelly Lake, Minn.[1]	80	109.4	.735	A	...do	80	95.2	.84	A	Do.
Mahoning, Minn	80	114.1	.70	A	...do	80	108.2	.745	A	Do.
Virginia, Minn	80	135.9	.59	A	...do	80	98.2	.815	A	Do.

NOTES.—[1] Main shipping points. The G. N. R. does not ship to Duluth; their ore docks are at Superior, Allouez docks, Wis. The Minn., St. Paul & St. Marie R. R. charges .6 cent per ton per mile for hauling ore in Minnesota.

From—	To Duluth, Minn.					To Two Harbors ore docks, Minn.				
	Rate.	Miles.	Cents.	Minimum.	I. C. C. tariff.	Rate.	Miles.	Cents.	Minimum.	I. C. C. tariff.
Ely, Minn	100	116	0.86	B	D. I. R. 167.	100	89	1.12	B	D. I. R. 166.
Eveleth, Minn.[1]	80	100	.80	B	...do	80	73	1.09	B	Do.
Tower Junction, Minn.[1]	90	96	.935	B	...do	90	69	1.30	B	Do.
Virginia, Minn.[1]	80	97	.93	B	...do	80	70	1.14	B	Do.

NOTES.—[1] Main shipping points for both independents and corporation. The D. & I. R. has no ore docks at Duluth, but quote a lower rate, never used, as no ore is shipped to Duluth.

Statement showing rates in cents per ton of 2,240 pounds on iron ore from and to points—Continued.

From—	To Duluth, Minn.					To Ashland, Wis.				
	Rate.	Miles.	Cents.	Minimum.	I. C. C. tariff.	Rate.	Miles.	Cents.	Minimum.	I. C. C. tariff.
Coleraine, Minn ..	80	85.3	0.94	B	D. M. N. 100	.....	.....	.....	.....	.....
Eveleth, Minn.[1] ...	80	70.5	1.14	B	.....do.....	.....	.....	.....	.....	.....
Hibbing, Minn.[1] ..	.....	.....	.....	.....	.....	135	162.7	0.885	C	G.N. A2346
Virginia, Minn....	.....	.....	.....	.....	.....	135	154.1	.935	C	Do.

NOTES.—[1] One of main shipping points for independents and corporation. A. Minimum weight visible, capacity of cars. B. Minimum weight in steel ore cars, 40 gross tons. Minimum weight in wooden ore cars, 20 gross tons. C. Minimum weight, 50,000 pounds, except that on cars loaded to full visible capacity and weight less than 50,000 pounds actual weight will govern.

	Feet.
Average elevation Mesabi Range	1,534
Average elevation Duluth Range	607
Difference in grade (down grade)	927

N. B.—In 85 miles, a down grade of (about) 927 feet.

From—	Net rate paid to railroads.	Rate when loaded from docks.	Distance in miles.	Cents per ton per mile.	Delivering line.	I. C. C. tariff.
Cleveland, Ohio.....	$0.94	B104	165.9	0.567	B. & O....	B. & O. 8550.
Ashtabula Harbor, Ohio.....	.94	B104	130.1	.72	P. & L. E..	L. S. & M. S. A2485.

The Bessemer & Lake Erie Railroad Co. does not name rates on iron ore from Conneaut, Ohio, to Pittsburg, Pa., but only to following points in the Pittsburg district:

To—	From Conneaut Harbor, Ohio.					
	Rate when loaded direct from vessels.	Rate when loaded from docks.	Distances in miles.	Cents per ton per mile.	Delivering line.	I. C. C. tariff.
Bessemer, Pa.....	A 96	B 104	149.6	0.625	P. & L. E	.....
Clairton, Pa.....	A 96	B 104	158.6	.59	W. S. B	.....
Cochran, Pa.....	A 96	B 104	151.5	.62	B. & L. E. U. R. R.....	.....
McKeesport, Pa....	A 96	B 104	153.6	.61	P. & L. E.....	.....
Munhall, Pa	A 96	B 104	152.6	.615	B. & L. E. U. R. R	.....
Rankin, Pa.....	A 96	B 104	153.3	.61	P. & L. E.-B. & L. E.-U. R. R..	.....

Minimum weights, 15 gross tons from Conneaut Harbor, Ohio. Twenty-five gross tons from Cleveland and Ashtabula Harbor, Ohio, unless marked capacity of car is less, in which case the minimum weight will be marked capacity of car, but in no case less than 15 gross tons.

NOTE.—"A" includes allowance of 2 cents per gross ton to Dock Co. to cover handling of ore from rail of vessel to cars. "B" includes allowance of 10 cents per gross ton to Dock Co. to cover handling of ore from vessel to dock and reloading on cars.

The CHAIRMAN. Mr. Gayley, do you know the amount of capital invested by the United States Steel Corporation in their Lake Superior ore ranges?

Mr. GAYLEY. No; I do not.

The CHAIRMAN. Do you know, I mean, how much is employed in these various ranges—put in plants?

Mr. GAYLEY. The amount of capital?

The CHAIRMAN. Yes.
Mr. GAYLEY. No; I can not tell you.
The CHAIRMAN. These ores in the ranges are generally mined by the use of steam shovels, are they not?
Mr. GAYLEY. In Michigan not at all.
The CHAIRMAN. I mean in the Mesabi Range?
Mr. GAYLEY. On the Mesabi Range, about 78 per cent.
The CHAIRMAN. Seventy-eight per cent? Those steam shovels will load about 5,000 tons an hour, will they not?
Mr. YOUNG. You mean each shovel?
The CHAIRMAN. Each shovel loads 5,000 tons an hour?
Mr. GAYLEY. I imagine that that is perhaps their rated capacity.
The CHAIRMAN. At a cost of about how much?
Mr. GAYLEY. Five thousand tons an hour, did you say?
The CHAIRMAN. Five thousand tons an hour.
Mr. GAYLEY. One shovel?
The CHAIRMAN. One shovel.
Mr. GAYLEY. No. The size of the buckets, as I recollect, is about 5 tons, and they may make 2 or 3 loads a minute. How much would that be?
Mr. LINDABURY. One thousand five hundred tons.
Mr. GAYLEY. No; 3 a minute would be 900 tons.
The CHAIRMAN. How much is that an hour?
Mr. GAYLEY. About a thousand tons.
The CHAIRMAN. A thousand tons an hour; at a cost of about 2 cents a ton, is it not, after it is stripped?
Mr. GAYLEY. That is very misleading, Mr. Chairman. If a steam shovel had nothing to do but to scoop up ore and put it into the cars, I suppose it would cost more than that.
The CHAIRMAN. That is what I am asking you.
Mr. GAYLEY. But the steam shovel has got to be moved along to the face of the pile. These piles of ore have got to be blasted and loosened up with powder, which is expensive; the tracks have got to be shifted by large gangs of men, who are very often idle a good part of the time waiting to shift.
The CHAIRMAN. I understand that. I am not now asking about the entire cost. There is the cost of the stripping to be considered, and after your ore is stripped is what I am getting at; it costs about 2 cents a ton to gouge this ore out with a scoop shovel and drop it into a car?
Mr. GAYLEY. I do not think so.
The CHAIRMAN. What?
Mr. GAYLEY. I do not think that is it.
The CHAIRMAN. How much would you say?
Mr. GAYLEY. It is not a proper viewpoint of cost.
The CHAIRMAN. I am not estimating the total cost; I am estimating the cost of that operation.
Mr. GAYLEY. It might work an hour in that locality and do it at a very low cost, if you mean simply the operation of the steam shovel. There are large elements of cost and expenditures necessary for your steam shovel to get to that point and do an actual amount of work.
The CHAIRMAN. I am not denying that, and I am not assuming that that is the entire cost, but what I am getting at now is, after you get your steam shovel up against the face of the ore and your car in po-

sition and your steam up, and you start that steam shovel up between the face of the ore on this side and the care on that side, the cost of operating that shovel in such a way as to carry the ore from the face of the range to the car is 2 cents per ton; is that right?

Mr. GAYLEY. Well, I can only say that the cost is low. What it is in cents I have never seen estimated.

The CHAIRMAN. How many tons of ore can you unload in an hour after your cars get to the dock?

Mr. GAYLEY. I do not know, Mr. Chairman.

The CHAIRMAN. Approximately?

Mr. GAYLEY. I do not know.

The CHAIRMAN. Do they not unload about 10,000 tons an hour?

Mr. GAYLEY. I can not imagine any possibility of their doing anything like that.

The CHAIRMAN. Well, that is a mere surmise. Have you any idea about how many tons they unload? The cars go over into the docks and they go over open receptacles, do they not, and you turn a crank and that unloads the ore?

Mr. GAYLEY. Not at all.

The CHAIRMAN. There are openings in the bottom of the car?

Mr. GAYLEY. There are always a gang of men on the cars with prodding bars to loosen the ore from around the sides and send it down through the hopper. There are large gangs of unloaders, as they are called, at all these docks.

The CHAIRMAN. What is the amount of capital employed in handling iron ore and coal in the docks, do you know?

Mr. GAYLEY. I am not able to tell you.

The CHAIRMAN. Do you know the amount of iron ore in sight on the various properties owned by the corporation on the Mesabi Range?

Mr. GAYLEY. I do not; I have no access to those data.

The CHAIRMAN. What is the average royalty paid per ton for the ore now?

Mr. GAYLEY. Do you mean the average royalty of all their holdings up there in the ground?

The CHAIRMAN. The holdings of the United States Steel Corporation in the Mesabi Range?

Mr. GAYLEY. You mean the average?

The CHAIRMAN. Yes; the average royalty.

Mr. GAYLEY. The average royalty on all their leases?

The CHAIRMAN. Yes.

Mr. GAYLEY. I am unable to tell you.

The CHAIRMAN. Do you know the length of time that these royalties run, on the average?

Mr. GAYLEY. No; I do not.

Mr. YOUNG. Mr. Lindabury has promised to furnish us all that information.

The CHAIRMAN. Yes. What is the average output per ton per man per day on all of these ranges?

Mr. GAYLEY. I am unable to tell you.

The CHAIRMAN. How many men are employed on one of these steam shovels?

Mr. GAYLEY. On the shovel directly?

The CHAIRMAN. Yes.

Mr. GAYLEY. I think two.

The CHAIRMAN. What is the average amount of ore taken out by a shovel and crew of men, in tons, per day of 10 hours?

Mr. GAYLEY. That is very variable, depending on circumstances and facilities for operation. What the average is would have to be determined over a long period of operation.

The CHAIRMAN. Do you know the cost per ton of unloading ore from vessel to car at docks at Conneaut?

Mr. GAYLEY. No; I do not.

The CHAIRMAN. These are questions based upon calculations. Well, I ask you if you would take a proof sheet for me and tell me the average cost of pig iron per ton, of coal and coke and limestone, and the like?

Mr. GAYLEY. I have not those data.

The CHAIRMAN. You can furnish me that?

Mr. LINDABURY. What? Let us have no mistake about those things. I wish you would ask for anything you want in such a way that it goes on the notes rather plainly. We will have gotten up anything of that kind that you ask for.

The CHAIRMAN. Do you know Mr. Head, an Englishman, who has written an article on the Lake Superior iron-ore mines?

Mr. GAYLEY. Jeremiah Head?

The CHAIRMAN. Yes, sir.

Mr. GAYLEY. I have met him.

The CHAIRMAN. Jeremiah Head, an English engineer. Did you ever see his article on the Lake Superior iron-ore mines?

Mr. GAYLEY. I never have.

The CHAIRMAN. He is an authority as an engineer?

Mr. GAYLEY. I would not consider him so. He is an English engineer who only occasionally visits this country.

The CHAIRMAN. He has visited the mines and made an exhaustive study?

Mr. GAYLEY. I do not know.

The CHAIRMAN. He makes this statement in his work on the Lake Superior iron-ore mines:

The railway rate by either route from the Mesabi Range to the ore docks, a distance of 75 miles, is three shillings, four pence per ton, or one-half pence per ton-mile. This is not considered cheap, and is maintainable only because the traffic will bear it. The grade being with the load, the cost of haulage must be light and the lines very profitable.

Do you differ from him in that observation?

Mr. LINDABURY. I object to that. It seems to me that is not a question which asks for a fact or an opinion upon an expert question.

The CHAIRMAN. I will ask him if the distance is 75 miles, as stated?

Mr. YOUNG. From the Mesabi Range, on the average, to the lake?

Mr. LINDABURY. The only point is the rate, and it does not seem to me that is one for an expert opinion. You can tell as well as any engineer.

The CHAIRMAN. No; I can not.

Mr. LINDABURY. But you can draw a conclusion.

The CHAIRMAN. I will ask him if he has examined this book.

Mr. GAYLEY. I have never seen it.

The CHAIRMAN. Is it a fact that he is approximately correct as to the distance and the rate?

Mr. LINDABURY. We have had the distance exactly and we have had the rate exactly from others.

The CHAIRMAN. I do not carry it in my mind. Three shillings and four pence for an average distance of 75 miles?

Mr. GAYLEY. What is that, reduced to American money?

The CHAIRMAN. A little over 70 cents per ton.

Mr. GAYLEY. The rate is 80 cents. He is writing that for Englishmen.

The CHAIRMAN. I understand. I have not been over there and I can not give you the information as to their money. The figures are approximately correct, whether or not his conclusions are right?

Mr. GAYLEY. I can only state that the rate is 80 cents and that the average distance is much more than 75 miles.

Mr. BARTLETT. Mr. Gayley, as I recall your testimony yesterday, you stated that ever since steel rails have been made there has been a practical fraternity between the rail makers. What did you mean by that?

Mr. GAYLEY. I mean their inclination to confer freely and openly respecting the rail business.

Mr. BARTLETT. You mean by that unusual intercourse and intimate association and exchange of opinion. That had reference also to prices in order to fix prices?

Mr. GAYLEY. As I recall, I had in mind——

Mr. BARTLETT (interposing). Ever since rails were made there has been this practical fraternity, that is what you call it?

Mr. GAYLEY. Yes, sir.

Mr. BARTLETT. And that was one of the elements that enabled you to fix and maintain the price?

Mr. GAYLEY. I meant to say that before the days of the Steel Corporation, from the very beginning of the making of steel, all the steel makers who were really the pioneers in the iron and steel industry were in fraternal accord and sympathy in the manufacture of rails and the owners more or less, and that it would be natural for the question of prices to be taken up between them as a question of manufacture in an effort to make a good and safe rail at a price that was considered fair.

Mr. BARTLETT. And uniform, and keep it there?

Mr. GAYLEY. Yes, sir.

Mr. BARTLETT. Does that practical fraternity continue to exist among the steel manufacturers now?

Mr. GAYLEY. I think unquestionably, and more than ever.

Mr. BARTLETT. That is all.

Mr. LINDABURY. May the witness be excused, to come back if the committee so desires?

Mr. YOUNG. I wish to ask him one or two questions before he goes.

You were asked before the adjournment in regard to what was known as the Carnegie ironclad agreement. I wish to ask you if, under the terms of that agreement, it was not true that any partner who went out of the company received no profits whatever from the advance in value of the property above its cost?

Mr. GAYLEY. He got the book value.

Mr. YOUNG. Then he received no benefit from what the property had advanced in value above what it cost?

Mr. GAYLEY. He got the book value. That, I think, answers the question—the book value.

Mr. YOUNG. That was the cost?

Mr. GAYLEY. Whatever money was put into the works showed on the books of the company.

Mr. YOUNG. In other words, that would be the same as though the Government sold to a farmer a farm at $1.50 an acre, the Government's price, and should retain an agreement that at any time when the Government wished the land back it could have it by paying to the purchaser the original price and the actual cost of any improvements put upon it?

Mr. GAYLEY. The actual money he had put into it.

Mr. YOUNG. That would be the same kind of an agreement, would it not?

Mr. GAYLEY. That is my understanding of the ironclad agreement.

Mr. YOUNG. Now, just a word as to royalties. Were you familiar with the royalties which existed in the Lake Superior region along in the early eighties?

Mr. GAYLEY. No, sir; I was not.

Mr. YOUNG. So the figures you have given here are for a later period?

Mr. GAYLEY. A later period; the nineties.

Mr. YOUNG. I have drawn many leases in the early eighties in which the royalties retained was 75 cents.

Mr. GAYLEY. I do not know.

Mr. YOUNG. At that period when ores were high the royalties were high and it would be a natural consequence, would it not, that there should be a relation between the royarty and the price that the ore bore in the market?

Mr. GAYLEY. Certainly; because that is an element of cost.

Mr. YOUNG. And as the price declined the royalties went down?

Mr. GAYLEY. The royalties would be temporarily reduced to the miner on account of the low price of ore.

Mr. YOUNG. The times of depression. That is all.

The CHAIRMAN. I want to offer in evidence the minutes of the board of directors of the United States Steel Corporation.

Mr. LINDABURY. What part?

The CHAIRMAN. The whole book.

Mr. LINDABURY. May it please the committee, I do not understand that there is any practice in the courts or elsewhere of offering that kind of evidence. Books are ordinarily offered and attention called to pages.

The CHAIRMAN. That is my only purpose, that they may be considered as all offered so that we can refer to them without any further delay.

Mr. LINDABURY. Please understand my position. We do not object to all of the books being offered in evidence, but we do object to their being considered as evidence, except for the purpose of showing information on pages named, and that we have notice now or later so that we will not be surprised.

The CHAIRMAN. That is right.

Mr. BARTLETT. The purpose of this is to get a modus vivendi with reference to these minutes. The committee at present, I understand, does not know what information they want to use. The committee

desires to have the minutes put in so as to be accessible and in order to investigate particular things to which they will call attention.

Mr. LINDABURY. That we do not object to. We would like to be advised of the pages or subjects or something that the committee may think important so we may be prepared if any explanation seems to be necessary.

Mr. BARTLETT. That is very proper. I apprehend that the chairman will do that.

Mr. LINDABURY. I have no doubt of it.

Mr. BARTLETT. In other words, we might do this—have the minutes put in evidence with the understanding that while here, or even while in the possession of the company, we can send or go to the company's office and find out concerning such matters——

Mr. LINDABURY (interposing). Certainly.

Mr. BARTLETT. The idea was to have access to the books.

Mr. LINDABURY. That is all right.

The CHAIRMAN. That is the only purpose.

Mr. LINDABURY. I would prefer very much, when they are further needed for examination, the committee send somebody to see them at the company's office.

Mr. BARTLETT. That was the purpose of putting them in evidence.

Mr. LINDABURY. There is no objection to that.

Mr. BARTLETT. The minutes are to be put in as a whole with the understanding that they shall be accessible to the committee either here or while in the office of the company?

Mr. LINDABURY. To be produced at the call of the committee at any time.

The CHAIRMAN. The books offered in evidence are two volumes of the minutes of the board of directors, volume No. 4 and volume No. 2, running from February 25, 1901, to May 31, 1911, and four volumes of the meetings of the finance committee.

Mr. YOUNG. Is it your intention, Mr. Lindabury, provided the testimony we secure does not fully bring out the facts, to tender to the committee any witnesses yourself?

Mr. LINDABURY. Yes, sir. If there are points connected with this matter which witnesses not called by the committee can, as we think, throw light on, we will suggest their names to the committee.

Mr. YOUNG. I simply wanted to know what your intention was.

Mr. LINDABURY. And if it should turn out that the committee has not called somebody, we will suggest their names to the committee.

The CHAIRMAN. Of course the committee will exercise its discretion as to calling them.

Mr. LINDABURY. I would not expect the committee to refuse to call some one who knows about the inquiry.

The CHAIRMAN. That is a matter to be determined. The committee will certainly consider suggestions of that kind.

(The committee thereupon adjourned.)

No. 9

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE UNITED STATES STEEL CORPORATION,
Thursday, July 20, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

Mr. Smith, we are ready for you now.

STATEMENT OF HERBERT KNOX SMITH.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Smith, you are the present Commissioner of Corporations in the Department of Commerce and Labor?

Mr. SMITH. I am the present Commissioner of Corporations in the Department of Commerce and Labor, Mr. Chairman.

The CHAIRMAN. How long has that bureau been in operation?

Mr. SMITH. It was created by the law passed February 14, 1903, which organized the department, and the bureau itself, I think, was organized and started business on July 1, 1903. I think that is correct.

The CHAIRMAN. Who was the first Commissioner of Corporations?

Mr. SMITH. James Rudolph Garfield.

The CHAIRMAN. And his successor?

Mr. SMITH. I succeeded him.

The CHAIRMAN. At the time Mr. Garfield was the Commissioner of Corporations who was the Secretary of Commerce and Labor?

Mr. SMITH. The first Secretary was George Cortelyou, the second was Victor Metcalf. I think those were all the Secretaries that Mr. Garfield served under. The next Secretary was Mr. Oscar Straus. My impression is that Mr. Garfield became Secretary of the Interior about the same time that Mr. Straus became Secretary of Commerce and Labor. There have been four Secretaries. The present Secretary is Mr. Charles Nagel.

The CHAIRMAN. Do you know when the first investigation of the affairs of the United States Steel Corporation was instituted by the Bureau of Corporations of the Department of Commerce and Labor?

Mr. SMITH. I do not know exactly, Mr. Chairman, because when it was instituted I was the deputy commissioner, and I did not have anything to do with it, but I know that it must have been as early as 1906. I might add there that our usual practice is to gather preliminary information about a good many industries, carrying them along in a sort of skeleton way, and then later on develop them. It is hard to say just when we start any particular investigation.

The CHAIRMAN. Was there any investigation of the affairs of the United States Steel Corporation by the Department of Commerce and Labor in 1903 or 1904?

Mr. SMITH. Not to my knowledge. We may have gathered, as I say, incidentally, some superficial information, but nothing that I know about.

The CHAIRMAN. What is the annual appropriation carried for the maintenance of this bureau?

Mr. SMITH. The present appropriation is divided into two parts. There is what is called the statutory roll, where the positions are specified and which carries a little over $79,000. Then there is what is known as the special agents' roll, and that carries $175,000. That is the present appropriation. That is the same amount that it has been, I think, for about four years. It was smaller when we first started.

The CHAIRMAN. And what is the sum total of the appropriation?

Mr. SMITH. The sum total now is a little over $260,000, I think. I have not the exact figures in my mind.

The CHAIRMAN. Is that sum usually expended?

Mr. SMITH. We quite frequently have not expended all of the special agents' sum, and we have turned back varying sums. The reason for that has been that we have not had the physical space to put the men in. I would be glad to employ more men, but we have not in our building the room to put any more.

The CHAIRMAN. This report of July 1, 1911, I notice is entitled, "Summary of Report of the Commissioner of Corporations on the Steel Industry."

Mr. LINDABURY. I wonder if there are any extra copies of that report, in order that I could have one?

Mr. SMITH. I have one extra copy here.

Mr. LINDABURY. I thank you.

Mr. SMITH. That is the press edition, simply printed on one side.

Mr. LINDABURY. This is the one I have seen.

The CHAIRMAN. I notice this is entitled, "Summary of Report of the Commissioner of Corporations on the Steel Industry." Is this a compend of a report not yet published?

Mr. SMITH. Substantially that; a digest of a report not yet published.

The CHAIRMAN. The whole report has been digested and condensed into this summary?

Mr. SMITH. The whole part of the report has been. That is a part. We usually issue our reports in parts, as we get them ready, dividing them by important subjects. This organization, investment, profits, and position of the United States Steel Corporation has been digested into this summary. The full text is not ready for publication.

The CHAIRMAN. I would ask whether this is a part of a report, the first part of a report, to be succeeded by others as volumes would in a complete work, or whether it is in the nature of a digest or summary, as it is called, of a larger and more voluminous report containing the details and statements of which this contains the conclusions?

Mr. SMITH. This is a summary—not the full text, but the summary—of a part, Part I; it is not a summary of the whole report.

The CHAIRMAN. A summary of the first part?

Mr. SMITH. Yes; a summary of the first part.

The CHAIRMAN. How many parts will there be of this report?

Mr. SMITH. That is a matter of discretion as to the best method of presentation, but my present idea is there will be three parts altogether.

The CHAIRMAN. This part deals with the organization, I believe, of the United States Steel Corporation, and the profits and position of the United States Steel Corporation?

Mr. SMITH. And the investment.

The CHAIRMAN. The complete report of which this is a summary when published will contain the facts and data at length touching the organization, investment, profits, and position of the United States Steel Corporation more in detail?

Mr. SMITH. Yes, sir.

The CHAIRMAN. Do you know at what time the complete report of which this is a summary will be given to the President or to Congress or to the public?

Mr. SMITH. I am always loath to make any estimate, because I have in mind the last time I made an estimate, when forced to do so; I guessed a year wrong; but my present best guess is, barring accidents of sickness and things of that sort, and unexpected difficulties in getting information and putting it together, that it will be ready in about six weeks.

The CHAIRMAN. In other words, the only work remaining now is the arrangement, compiling, and printing of the full report?

Mr. SMITH. Yes, sir; and it has to be somewhat rewritten. Most of it has been written in tentative shape, but it has to be revised by my assistants and myself and rewritten somewhat, and then, of course, it has to be verified very carefully. There is an enormous amount of figures which has to be verified, and then printed and verified again.

The CHAIRMAN. You have already drawn your conclusions in the summary?

Mr. SMITH. Yes, sir.

The CHAIRMAN. You are reasonably certain of your premises, or you could not have printed your conclusions?

Mr. SMITH. What I mean by verification is that, if course, we will print in the full part a vast amount of figures not in here, and they will have to be verified, so as to make sure that they are correct.

The CHAIRMAN. I notice on page iii of your letter of submittal to the President that you say:

> In 1898 began an era of great consolidations, with capitalizations ranging from $30,000,000 to $100,000,000, usually mergers of many smaller companies. In most of these, as in the earlier price agreements, the ruling motive was the removal of competition.

On page iv of your letter of submittal to the President you say:

> Such efforts on the part of these great concerns, in striving to "integrate," to make itself wholly independent, threatened to result in a great and sudden increase and duplication of the steel producing and finishing capacity of the country, and to involve them also in an invasion of each other's business.
>
> Thus there was suddenly revealed to the industry what the trade press at the time calls "The impending struggle of the giants," a "contest between great concerns," and so on.

Then, going into this condition somewhat in detail, you say:

Such were the conditions in the steel industry in 1900. The spark that lighted the train was the threat of the Carnegie Co. to erect a great tube plant near Cleveland, thus invading the field of finished manufacture.

There has been considerable testimony introduced before this committee, and Mr. Gates testified at some length that the moving cause, the controlling, the prime motive in the organization of the United States Steel Corporation was the elimination of competition and the steadying of prices. I see you agree with him in that conclusion. Is that conclusion based upon facts and data in the possession of the Department of Commerce and Labor? I see no figures given in the report.

Mr. SMITH. The facts and figures upon which that conclusion is based will appear in the full text of the report, but, of course, until I am given authority to issue that I am unable to say what those are. I have no authority, of course, to publish anything.

The CHAIRMAN. I have been advised in a letter from Secretary Nagel that the President of the United States has no objection to the making public of any data at the disposal or in the possession of the Bureau of Corporations touching the organization and operation of the United States Steel Corporation?

Mr. SMITH. I do not understand it exactly that way. If I recollect——

The CHAIRMAN (interposing). I thought I had his letter.

Mr. SMITH. Perhaps I had better wait.

The CHAIRMAN. The reason I am anxious to secure this information is that this committee, in the nature of things, can not sit as the Bureau of Corporations perpetually.

Mr. SMITH. I congratulate the committee.

The CHAIRMAN. We have a little amount of $25,000 allowed us, of which less than $4,000 has been expended in making this investigation, and it has been suggested by members of the committee that if these facts so vital as these are evidence upon which the learned commissioner bases such an unequivocal expression of opinion, they would be exceedingly valuable to this committee at this time and save the country a great deal of trouble and the committee a good deal of expense.

With respect to giving out information collected by it—

The Secretary says in his letter of July 12, 1911—

the Bureau of Corporations is compelled to observe two restrictions. The first one, of course, is that nothing can be done in this direction without the consent of the President. This is a provision of the organic act creating the bureau. This restriction does not stand in the way in this instance.

Mr. SMITH. Yes; I am familiar with that letter, Mr. Chairman. That phrase, as I understand it, applies simply to the subject matter of that letter. That was a request for certain data in regard to steel rails; and, as the Secretary evidently intended it, that restriction would not have applied, but that statement applies to nothing beyond the subject matter of that letter.

The CHAIRMAN. I can readily understand, Mr. Smith, why the Bureau of Corporations, under the organic act creating it and directing it to report only to the President, might hesitate to state whether or not it has in its possession the proof of certain facts, or

documents indicating a certain condition, but when you have given to the world an unequivocal statement that the removal of competition, which is the gravamen of the offense in all violations of the Sherman Antitrust Act, was the moving cause, the price cause, in the creation of the United States Steel Corporation, in my humble opinion, it is due not only to the committee and to the country, but to the United States Steel Corporation itself, that you should give to the country and to the committee the facts upon which you base a charge so vital to the interests of the country and touching in many ways so exceedingly acutely the status of the United States Steel Corporation before the law.

Mr. LINDABURY. Are you not inadvertently, of course, misquoting the letter of submittal?

The CHAIRMAN. I think not.

Mr. LINDABURY. The reference you read was 1898, and I think that is the formation of some of the earlier corporations, but not the United States Steel Corporation.

The CHAIRMAN. The two expressions taken together are, as I understand them, very simple. In order to remove competition, says the commissioner in a few words—and if I misquote him I would like to be corrected; I think I understand his meaning—in order to remove competition hundreds of concerns whose names he gives, the style of them, merged themselves into nine or ten great constituent companies.

Mr. LINDABURY. In 1898?

The CHAIRMAN. Yes, sir; and then these companies, finding that they had not eliminated competition, but by integrating and each becoming independent had invited greater competition, formed the United States Steel Corporation for the same purpose and with the same idea and by the same means and under the same character of contract that they had previously formed themselves into these various smaller concerns.

Mr. LITTLETON. You will see on page 4 he says:

Such were the conditions in the steel industry in 1900?

The CHAIRMAN. Yes, sir; that is just what I read.

The spark that lighted the train was the threat of the Carnegie Co. to erect a great tube plant near Cleveland, thus invading the field of finished manufacture.

Mr. LINDABURY. Yes; but that did not seem to bear out the characterization of the letter or the interpretation that the chairman seemed to be putting in his question.

The CHAIRMAN. If there were 20 barrels of gunpowder under this building and a man should drop a cigar knowingly into a little fuse or handful of that explosive, it is a spark which, ordinarily considered, would be a little bit of burning tobacco or a lighted match, but applied in that way and called the spark that lighted the conflagration, it might be regarded by the lay mind as being the real cause of the trouble. It is a very graphic expression used by Mr. Smith, and when taken in connection with the statement of Mr. Gates it becomes exceedingly interesting for this committee to know on what he based this all-important conclusion.

Mr. SMITH. You put an original question to me?

The CHAIRMAN. Yes, sir.

Mr. SMITH. It is my intention, certainly, to submit to the President and to have ready for publication, so far as properly lies with me, the facts which will appear in the full text of Part I upon which we based our conclusions, but the law is perfectly clear, both the law and the interpretation placed on it by the Attorney General that I, as commissioner, have no authority to give out any information in the Bureau of Corporations or to intimate in any way what that information is, so that I can not do it, however thorough my desire and intention may be. I must first get the President's consent.

The CHAIRMAN. Will you kindly communicate with the President, at your earliest convenience, and advise this committee whether or not it is his pleasure that you furnish to this committee, without delay, such data as is available touching the matter I have spoken of?

Mr. SMITH. I will take that up with the President, Mr. Chairman.

Mr. BEALL. How do you interpret the last clause of section 6 of the act creating the Department of Commerce and Labor:

> It shall also be the province and duty of said bureau, under the direction of the Secretary of Commerce and Labor, to gather, compile, publish, and supply useful information concerning corporations doing business within the limits of the United States as shall engage in interstate commerce or in commerce between the United States and any foreign country, including corporations engaged in insurance, and to attend to such other duties as may be hereafter provided by law.

Is there any restriction upon giving out such information as is contemplated in that clause?

Mr. SMITH. I do not know that my interpretation of that is of much value, Congressman. It has never been entirely clear to me. I have assumed that that meant, in addition to the general work that is prescribed by the foregoing part of the section, that they may also collect information which may be not gotten in the same way, but whether it is subject to the order of the President or not, I am not entirely clear, but so far as I am concerned, I am bound entirely by the construction that the Attorney General has placed on the act itself, a copy of which I have here, if you care to see it, where he made the very flat statement to me, in a letter directed to me, that I had no authority to give out any information in the bureau without the consent of the President, and whatever my opinion might be, it would be of little avail in this connection.

Mr. LITTLETON. Mr. Commissioner, you have given out the summary of report No. 1?

Mr. SMITH. Yes, sir.

Mr. LITTLETON. Were you directed to give that out?

Mr. SMITH. By the President?

Mr. LITTLETON. Yes, sir.

Mr. SMITH. Yes, sir.

Mr. LITTLETON. Were you forbidden to give out anything else?

Mr. SMITH. No, sir; I was not forbidden by the President; I am forbidden by the law.

Mr. LITTLETON. Well, we all have an opinion about that, but the data upon which this report is based was discussed as to whether that should be given out?

Mr. SMITH. Not at that time, the data upon which the report was based.

Mr. LITTLETON. The reports and tabulations?

Mr. SMITH. You might say two parts. It consists in the first instance, you might say, of an infinite amount of all sorts of material, and in the second instance, reduced to intelligent form, which constitutes what will be the full text of Part I. It is a little hard to say, but none of that has been presented to the President; nothing except what appears in the summary.

The CHAIRMAN. Going back just a little, so that there may be no doubt about the interpretation of what appears on pages 2 and 3 of this letter submitted to the President, I find in this summary, on page 7, this expression:

The fundamental causes for the formation of the United States Steel Corporation were substantially the same as those which gave rise to the earlier consolidation already described, namely, restriction or prevention of competition, integration, stock inflation.

And you state on page v:

Thus competition between these concerns was eliminated, while enormous profits were made from the flotation of securities——

Mr. SMITH. That is page v of the letter of submittal?

The CHAIRMAN. Of the letter of submittal.

With, also, an unparalleled stock commission to the underwriting syndicate, which netted a clear profit of about $62,500,000 in cash.

In what respect was this Morgan syndicate that welded these various independent concerns into one corporation unparalleled?

Mr. SMITH. I did not say that the Morgan syndicate was unparalleled; I said the commission was unparalleled.

The CHAIRMAN. The stock commission?

Mr. SMITH. Yes, sir; unparalleled in size.

The CHAIRMAN. The amount of money it got out of it?

Mr. SMITH. Yes, sir. I think that was a fair assumption there.

The CHAIRMAN. They received bonds and stocks, I believe; not money?

Mr. LINDABURY. Not bonds, I guess, but two classes of stock.

The CHAIRMAN. I have not those figures before me but I think it was about $165,000,000.

Mr. SMITH. $130,000,000 par value.

Mr. LINDABURY. I thought it was $129,000,000.

Mr. SMITH. Of course I can not discuss the original data.

Mr. LINDABURY. It is just under $130,000,000; about $129,000,000.

The CHAIRMAN. Do you know the amount of cash?

Mr. SMITH. That, of course, involves data still to be published.

The CHAIRMAN. Have you in the department any data showing what this syndicate sold this stock for, what they received?

Mr. SMITH. My impression is that we have some information showing about what they realized in cash from the stock.

The CHAIRMAN. Do you object to furnishing that to the committee?

Mr. SMITH. Subject to the President's approval, certainly.

The CHAIRMAN. It is doubtful whether this committee, even under the sweeping authorization of the committee, could have access to the books of J. Pierpont Morgan & Co., and for that reason the Bureau of Corporations is in a much better position than the committee to find out that very valuable information.

Mr. SMITH. The amount of cash realized from the securities?

The CHAIRMAN. What they sold the stocks for, what they got for them?

Mr. SMITH. I will make a note of that, Mr. Chairman.

Mr. STERLING. Mr. Commissioner, how did you obtain the information on which you based this report?

Mr. SMITH. Roughly, these various sources, the corporations themselves, and from their records and their officials.

Mr. STERLING. Did you have free access to the records of the various subsidiary corporations?

Mr. SMITH. Roughly speaking, we did, not entirely so, but very largely so, and in addition to that the financial statements in connection with the listing of securities on the stock exchanges, then various financial and trade journals, the Journal of Commerce and others, various books and monographs on the subject, the annual reports of the corporations themselves, a very valuable investigation by the Industrial Commission, which reported about 1902, which happened to come along about the time of these earlier consolidations, suits of various sorts in the State and Federal courts, affidavits in suits in various States furnished information, and Government statistics, the Bureau of the Census and others. That covers all I can think of at this moment.

Mr. STERLING. Did the corporation officials refuse to furnish you any information that you desired and which you thought was necessary to a thorough investigation of the subject?

Mr. SMITH. My impression is, Congressman, that a few did, but I can not testify as to that. The instances were not numerous, or, as I recollect, very important.

Mr. STERLING. A few of the subsidiary corporations of the United States Steel Corporation?

Mr. SMITH. No; I think not. I think there were others, but I would not want to testify as to that.

Mr. STERLING. Not connected with the United States Steel Corporation?

Mr. SMITH. My impression is they were not, but I would not want to testify to that definitely.

Mr. STERLING. Do you recall the character of the information that you could not get?

Mr. SMITH. No; I do not. It was so hazy.

Mr. LINDABURY. My information is that nothing was refused by the United States Steel Corporation or any of the subsidiary companies.

Mr. STERLING. Is that so?

Mr. SMITH. That is my general recollection, but I do not want to make a flat statement.

Mr. LITTLETON. Did you send your men into the departments of the United States Steel Corporation and have them make an original investigation, or did you ask the United States Steel Corporation to furnish such information as you indicated from time to time and accept that furnished by them?

Mr. SMITH. We did both. We first went to them and looked at the general nature of the information. I might explain that this was before I was the commissioner and had not very much to do with it. Having received the information, we sent our agents back to check up the information and make sure that it was not doctored or faked.

Mr. LITTLETON. In the first instance you would ask the United States Steel Corporation to furnish such indicated information as your communication contained, and you would wait until they had furnished it in accordance with the request, and then send agents to check it up?

Mr. SMITH. Yes, sir.

Mr. LITTLETON. Is that the general method of making the investigation?

Mr. SMITH. Yes, sir; so far as this corporation was concerned.

Mr. LITTLETON. Was there any original investigation initiated by the department which was carried on by men going to the office of the United States Steel Corporation and being allowed access to the books, the minute books, and all that, and conducting an examination along that line?

Mr. SMITH. We did have access to a large number of books—I do not recollect what they were, because I did not do it myself—and got original data from them.

Mr. LITTLETON. I notice this act provides:

> In order to accomplish the purposes declared in the foregoing part of this section, the said commissioner shall have and exercise the same power and authority in respect to corporations, joint stock companies, and combinations subject to the provisions hereof, as is conferred on the Interstate Commerce Commission in said "act to regulate commerce" and the amendments thereto in respect to common carriers so far as the same may be applicable, including the right to subpœna and compel the attendance and testimony of witnesses and the production of documentary evidence and to administer oaths.

Was any of this examination conducted under the provision I have just read?

Mr. SMITH. We issued no subpœnas for the reason that the issuance of a subpœna grants immunity, and we were very loath to do that.

Mr. LITTLETON. You put nobody under oath?

Mr. SMITH. By no means. We did not propose to grant immunity by any action we might take. So we put nobody under oath.

Mr. LITTLETON. The information you received first-hand from the United States Steel Corporation or its subsidiary concerns in response to your request came to you and is on file in your department?

Mr. SMITH. A large amount of it is not on file, for the reason that a great deal was sent back—the originals were sent back to the Steel Corporation.

Mr. LITTLETON. The original information which you asked for and which you obtained was returned?

Mr. SMITH. Yes, sir.

Mr. LITTLETON. Did your department make copies of it?

Mr. SMITH. We made transcripts that were in a way copies, but we destroyed those. That would have been a violation of the condition under which we accepted that particular information. The particular information I am speaking about, the cost, was accepted under the condition that we would send back the original sheets and would not make copies thereof, the condition being that we should simply use the sheets to combine the cost of the various companies into the average cost, which would not display individual cost, but for convenience, when we got the original cost sheets, we transcribed that information on to some "work" sheets, as we call them. We

advised the Steel Corporation that we had done that, after sending the original sheets back, and they agreed that we could keep the transcripts to a certain day, when they should be destroyed, and we did destroy them on November 1 of last year.

Mr. LITTLETON. That class of information was accepted by your department and given by the United States Steel Corporation upon the condition that once you had had the chance to get the averages and tabulations you would send back the original information which they gave you and destroy and not keep copies of it in your department?

Mr. SMITH. I do not remember the exact language, but that we would not keep any copies was the substance.

Mr. LITTLETON. Was the object of that to preserve to them as a secret of their business the cost sheets or the cost records?

Mr. SMITH. I presume that was their object. They made that a condition of giving it voluntarily.

Mr. LITTLETON. It could not have been harmful to them except on the ground of competitors getting it?

Mr. SMITH. I presume that was their feeling. Every manufacturer is very sedulous to guard the cost.

Mr. LITTLETON. Did you have any such understanding in regard to any class of information which they submitted voluntarily?

Mr. SMITH. Other than the cost?

Mr. LITTLETON. Yes, sir.

Mr. SMITH. I do not recollect. We may have, but I do not recall.

Mr. LITTLETON. As to other branches of the inquiry, when they made a report in response to your request that report is on file in your department at this time?

Mr. SMITH. Presumably, unless it is under that condition.

Mr. LITTLETON. Coupled with the verification and the reports of your men made afterwards?

Mr. SMITH. Yes, sir.

Mr. LITTLETON. You have already given out publicly a summary of Part I?

Mr. SMITH. Yes, sir.

Mr. LITTLETON. And this summary is based upon information which is in your department, or the tabulations, and you are unwilling, under your advice, to give the data on which the summary is based?

Mr. SMITH. I am entirely clear as to my legal advice in the matter.

Mr. LITTLETON. You realize, do you not, that this committee, in so far as it may investigate the same subjects, will practically duplicate the work which you have done, or which your bureau has done?

Mr. SMITH. I do not, of course, know what the committee does intend to do.

Mr. LITTLETON. If they travel over the same field and go through the same work it will not be economical at all.

Mr. SMITH. For that reason I am doing my best to get the data to the President as soon as I can. For the last month and a half a half a dozen of my men and myself have ben working at the office until midnight.

Mr. LITTLETON. You realize that there should not be any difference between your bureau and the committee as to getting at the truth?

Mr. SMITH. Both are after the truth, certainly.

Mr. LITTLETON. And for elucidating all the facts.

Mr. SMITH. I am not entirely clear as to the object of the committee's work, but I think it has relation to the antitrust law.

Mr. LITTLETON. Yes, sir.

Mr. SMITH. Our business is to ascertain the facts and to advise the President, for his use.

Mr. LITTLETON. You are not to determine whether it is a violation of the antitrust law, but you are to determine the facts concerning the combination with other concerns, develop all the facts, and somebody else is to draw the conclusion?

Mr. SMITH. Our business is to determine the facts and present them.

Mr. LITTLETON. In order to save time and trouble, would you agree, upon the request of this committee, to furnish to the committee the data and information upon which you based the conclusions in this summary?

Mr. SMITH. That is entirely a matter for the President.

Mr. LITTLETON. But I ask you, and you can reach the President in some way. I am asking you if you can not take it up?

Mr. SMITH. Yes, sir. I see entirely the point you make, and I want to answer it in entire frankness. This material we have, as you pointed out a few minutes ago, is infinite in its variety and in its character, and the average man, untrained, or anybody, unless an expert, could make absolutely nothing from it. I suppose it would fill a large part of a small room, and the only way we can present it to the President is to put it into this shape, which is exactly what we are engaged in doing as fast as we can. If we gave him or attempted to show him the original data on any of the subjects you have referred to, it would be putting upon him an impossible task, I think.

Mr. STERLING. Assuming, Mr. Commissioner, that you had the permission of the President to give this information to the committee, are you in a position to give it to the committee in an intelligent form?

Mr. SMITH. No, sir; not at present. I think it would take several weeks. It is so much a matter of assembling the material and weighing the evidence, just as a judge in a trial.

Mr. GARDNER. I understand that it is a matter of six weeks, as your best guess?

Mr. SMITH. Yes, sir.

Mr. GARDNER. When that data will be available for us, unless the President interposes an objection, and that you now have it in your possession, or have had it in your possession, with the sole exception of the individual-cost sheets from which the average-cost sheets are made up?

Mr. SMITH. That is not quite correct; but everything upon which this part is based will be ready in about six weeks.

Mr. GARDNER. What are the other parts?

Mr. SMITH. I will say that, as near as I can figure now, a part on prices and a part on costs. Those are now in the works.

Mr. GARDNER. You make a very interesting statement on page ix, in which you say, a little below the middle of the page:

> The competition of these independents with the Steel Corporation, so far as prices are concerned, has been modified by the policy of "cooperation." This will be discussed in a later part of the report.

That will be Part II?

Mr. SMITH. I am not sure which would come first; but probably the part on prices.

Mr. GARDNER. That information on which you base this statement regarding cooperation will only be available at a much later date than the six weeks?

Mr. SMITH. I would say so; yes, sir. I can not fix any sort of a date.

Mr. GARDNER. Would you guess six months—that in six months Parts II and III, both on the summary and the full text, would be ready? Would you say that they would be ready possibly when Congress reassembles in December?

Mr. SMITH. I hate like everything to make a guess on that. It would be the rankest kind of a guess that we would have it ready by the beginning of the next regular session, which, I believe, is in December. The last time I made a guess I got just a year wrong.

Mr. GARDNER. On that question of cooperation, which I simply take as an instance, would it be possible for you, with the President's permission, to furnish us with data and some expert from your department who could explain it to the committee?

Mr. SMITH. I think we could help the committee out materially on that, if you could meet in executive session where we could exchange opinions back and forth without any record. We always dislike to make a flat statement that we are not sure about.

Mr. GARDNER. At all events, you could put us on the track?

Mr. SMITH. I think we could; decidedly.

Mr. MCGILLICUDDY. Mr. Commissioner, from the information which you have in your possession and in your bureau, you have reached certain conclusions in reference to the United States Steel Corporation, have you not?

Mr. SMITH. Yes, sir.

Mr. MCGILLICUDDY. Now, you say:

> In 1898 began an era of great consolidations, with capitalizations ranging from $30,000,000 to $100,000,000.

From the information that you have, were those consolidations up to that time made for the purpose of restricting or eliminating competition?

Mr. SMITH. There, again, I am up against the statutory prohibition of making any statement about that.

Mr. MCGILLICUDDY. Can not you give your own opinion?

Mr. SMITH. No; I can not.

Mr. MCGILLICUDDY. Is there any statute which forbids you from expressing an opinion?

Mr. SMITH. There is no statute.

Mr. MCGILLICUDDY. Then you are not up against any statutory provision.

Mr. SMITH. But I can not express any opinion except one based on my knowledge as Commissioner of Corporations.

Mr. MCGILLICUDDY. You state here:

> They did not, however, finally eliminate competition.

Did they restrict it up to 1898 by the mergers then formed? Did they restrict it?

Mr. SMITH. That I should not be allowed to say. I simply say here that the ruling motive was the removal of competition.

Mr. MCGILLICUDDY. You make that statement from the information in your possession which you can not, you say, disclose to this committee?

Mr. SMITH. Exactly.

Mr. MCGILLICUDDY. Now, this era of great consolidations reached its climax in 1901, when the United States Steel Corporation was formed, did it not?

Mr. SMITH. Yes, sir.

Mr. MCGILLICUDDY. There have been no great consolidations since that time, have there?

Mr. SMITH. I think that is a matter of public knowledge; no great consolidation comparable to the United States Steel Corporation.

Mr. MCGILLICUDDY. You have a great deal of knowledge, and that is what I want to inquire about.

Mr. SMITH. I am sorry to say that I can not give it to you.

Mr. MCGILLICUDDY. There have been, as a matter of fact, no great consolidations since 1901 in the steel business?

Mr. SMITH. As a matter of public information, there has not been.

Mr. MCGILLICUDDY. As a matter of fact, there is not very much left to consolidate, outside of what they did consolidate in 1901?

Mr. SMITH. I would refer to what the report says here about the production.

Mr. MCGILLICUDDY. I am coming to that. By that consolidation of 1901 did not the United States Steel Corporation acquire a practical monopoly of the Lake ores?

Mr. SMITH. I am afraid you are endeavoring to lead me to break the law.

Mr. MCGILLICUDDY. No; I do not want you to break the law. If the United States Steel Corporation, subsequent to 1901, or by reason of that consolidation, secured the greater part, say 75 per cent, as you say, of the Lake ores, and also acquired, by virtue of the Hill lease, the advantages which they had, would that be a practical monopoly of such ore?

Mr. SMITH. I would not want to express an opinion as to what is a practical monopoly. The chairman of the United States Steel Corporation made a statement about that in 1908, before the Ways and Means Committee, and admitted that the corporation had control of the ultimate ore supply of the whole country. That was in the Payne-Aldrich tariff hearings. He afterwards modified that in the hearing before this committee.

Mr. MCGILLICUDDY. I remember that.

In addition, there was the additional purpose in forming this merger or consolidation not only to limit and restrict competition but to control production, was there not, from the information that you have?

Mr. SMITH. Well, except so far as I suppose you can make certain deductions of that nature from what we have said, I could not go beyond that. You mean production of what; of steel?

Mr. MCGILLICUDDY. Of finished steel products in the country, by reason of the control of iron ore?

Mr. SMITH. We have stated the degree of control of iron ore that at present exists, and you can draw your own conclusions from that of course.

Mr. MCGILLICUDDY. Yes. This information which you have and which you can not make public, does that cover the matter of wages and conditions as to the wage earners in this country?

Mr. SMITH. No; that side we did not take up. That has been investigated by another bureau in the Department of Commerce and Labor, however, the Bureau of Labor, as I understand it. We did not take that up, except so far as, of course, wages enter into it as a part of costs.

Mr. MCGILLICUDDY. You, then, in your special department have made no special investigation as to wages and wage conditions in the country?

Mr. SMITH. No; except in a very incidental way, as wages are a part of cost of production; but certainly not as to conditions of labor.

Mr. MCGILLICUDDY. But, as I understand, this has been investigated in another department?

Mr. SMITH. In another bureau in the same department; and I think they have issued a report on it.

Mr. STERLING. You think they have published their report?

Mr. SMITH. I think they have. I think it has been out for several months. I think it is out. I have simply seen it on the Secretary's desk. It is a report by the Commissioner of Labor, Mr. Neill.

Mr. LITTLETON. You were a little reluctant to answer Mr. McGillicuddy as to what the purpose and effect of these developments were after 1898. You say on page 4 of your report.

> The transformation in the steel industry, thus far described, was simply one phase of a general movement toward industrial consolidation at the time. This movement was characterized in varying degree by three especially important features, as follows:
>
> (1) The restriction of competition through combination.
>
> (2) Integration—that is, the linking up of productive processes through acquisition under one control of raw materials and manufacturing plants (and in some cases transportation facilities) and through extensions and coordination of manufacturing processes.
>
> (3) The creation of a great amount of inflated securities.
>
> The influence of all these factors should be kept clearly in mind. The first, namely, the restriction or elimination of competition, was the most important. Undoubtedly it was the principal cause of most consolidations in the steel industry.

That is your opinion now, is it not?

Mr. SMITH. Precisely.

Mr. LITTLETON. And that is your opinion in the report?

Mr. SMITH. Yes.

Mr. LITTLETON. Then you go ahead to say:

> Profits had been sharply reduced by the severe competition which accompanied the depression of the middle nineties, and steel manufacturers were attracted to consolidation as a means of increasing their returns. Indeed, the organizers of some of these consolidations have admitted that the desire to control or eliminate competition was the chief reason for combination.
>
> However, a desire to secure greater economies and advantages through integration undoubtedly played an important part in the movement.

You expressed that opinion in your report, and I take it it is still your opinion that the dominant and moving influence in this movement was to restrict and eliminate competition, and that the desire

to control or eliminate competition was the chief reason for combination?

Mr. LINDABURY. May I be permitted to interpose an objection to that question?

The CHAIRMAN. The objection will be overruled.

Mr. LINDABURY. We are inquiring after facts, and not nonexpert opinions.

Mr. LITTLETON. We are certainly inquiring for facts.

Mr. LINDABURY. This is not to elicit a fact, but an opinion.

The CHAIRMAN. To make a long story short, if the chairman should sustain such objections, between the gentlemen representing the United States Steel Corporation and the gentlemen representing the United States Government, he would be between Scylla and Charybdis. You would not permit him to state an opinion and they would not permit him to state a fact, so that we would be in a bad fix.

Mr. LINDABURY. But that does not change the rules of evidence.

The CHAIRMAN. We will have to alter them a little in this case.

Mr. LINDABURY. I have observed that tendency before.

Mr. SMITH. I take it that I am ordered to answer the question?

The CHAIRMAN. The question has been answered before, has it not?

Mr. SMITH. Yes; it is answered right in the report. I hold the same opinion that I have stated in the report.

Mr. LITTLETON. Taking those three general causes of consolidation, the leading causes, restriction of competition, the linking up of productive processes of the various concerns, and the creation of a great amount of inflated securities, the Government through your department has based its report upon those three as the controlling causes for the consolidations which took place?

Mr. SMITH. In this case it was the general cause of consolidation; and then as to the Steel Co. we said practically the same causes were also present; yes, sir.

Mr. LITTLETON. You said back in the letter of submittal to the President that the bureau found that in 1901 a fair market value of the tangible property of the Steel Corporation was about $700,000,000. I am reading from page vi, numbered with Roman numerals, of the letter of submittal. I should go back a little and say this. You say, on page vi:

> The corporation was organized with (in round numbers) $10,000,000 of preferred stock, $08,000,000 of common stock, 303,000,000 of corporation bonds, and about $1,000,000 of underlying and miscellaneous obligations, a total of over $1,402,000,000.
>
> Speaking broadly, such capitalization amounted to the claim, the representation, that there was a value in this concern which would justify a fair business return on this capitalization. The bureau finds, on the contrary, that in 1901 the fair market value of its tangible property was about $700,000,000, slightly less than one-half its capitalization. The other half, the excess of about $700,000,000, is thus separated and stands out, embodying the essential public questions raised by the bureau's analysis of its investment. In so far as that excess represented value in 1901, it was value due either to increased earning power from elimination of competition, concentrated ownership of the basic natural resources, iron ore and coal, or in some degree integration efficiency.

Having said that the general causes of the consolidation of these companies, and that also of the Steel Co., were the three things, elimination of competition, the integration or linking up of produc-

tive processes, and, third, the creation of a great amount of inflated securities, to what do you ascribe the $700,000,000 of excess in the valuation of the property which is presented at the time of the organization of the corporation? To which one of these three causes do you ascribe it?

Mr. SMITH. I think I ascribed it to all of them, but I said it was due either to increased earning power from elimination of competition, concentrated ownership of the basic natural resources, iron ore and coal, or, in some degree, integration efficiency. I did not attempt to segregate.

Mr. LITTLETON. Is it not a fact, from your observation and experience, and from your investigation of the facts, that when in any of these concerns the control of a commodity is acquired so that production and price can be, if necessary, regulated—that is the time when overcapitalization in its largest form can and does take place, and it is made to represent a combination value which is sold and which becomes a merger or combination value over and above the actual value of the property?

Mr. SMITH. Speaking broadly and from the general situation, not speaking as to the definite details here, I think you are correct.

Mr. LITTLETON. Is it not a fact, Mr. Commissioner, that because of the control caused by the elimination of competition, a company is enabled to float what might be called an inflated lot of securities, and afterwards, so to speak, to turn water into wine?

Mr. SMITH. Yes.

Mr. LITTLETON. Because they can control the output and the price.

Mr. SMITH. We have had a good many investigations, and that is the general leading fact, that that merger value is capitalized as you suggest.

Mr. LITTLETON. So that in this capitalization that merger value, or the increased efficiency, or the basic resource proposition, either one or all of them, had to combine to make up some $700,000,000 in order to make the thing tally with the capitalization which had been made?

Mr. SMITH. That was the only conclusion we could arrive at from the facts.

Mr. LITTLETON. How much did you find to be the estimated value at that time of the ore?

Mr. SMITH. We put our figure at $100,000,000.

Mr. LITTLETON. Then, of course, there was $600,000,000 to be divided up between increase of efficiency and the creation of inflated securities?

Mr. SMITH. There was more than that, because the company also overestimated some of its other properties. As a matter of fact, there was seven hundred millions to be divided up.

Mr. LITTLETON. Seven hundred millions?

Mr. SMITH. Seven hundred millions of what we called slack.

Mr. LITTLETON. Seven hundred millions after you had subtracted the ore valuations, or before?

Mr. SMITH. I do not quite understand.

Mr. LITTLETON. Listen. You say that your valuation of the ore at the time was $100,000,000?

Mr. SMITH. Yes.

Mr. LITTLETON. You say there was seven hundred millions to be made up some way which was not represented by actual value?

Mr. SMITH. Yes.

Mr. LITTLETON. Did you subtract one hundred millions from the seven hundred millions, leaving six hundred millions?

Mr. SMITH. Our process was not exactly that. They claimed in their own estimate of 1902 a value of $700,000,000 for the ore. We put it at $100,000,000, which left $600,000,000 slack in the ore. They had also valued their other properties at $100,000,000 more than we had. So that it left six hundred millions of slack in the ore and one hundred millions of slack in the other properties.

Mr. LITTLETON. So that you valued the ore at $100,000,000?

Mr. SMITH. Yes.

Mr. GARDNER. The main difference, then, was the difference in valuation of that ore?

Mr. SMITH. Yes; that is where the great discrepancy came.

Mr. LITTLETON. Has your valuation of one hundred millions been recently made?

Mr. SMITH. We made it only within a year. We have been working on it about a year. Let me make it clear that it is not a valuation. That is a mistaken phrase. It is, as near as we can get at it, a fair market price of the ore at the time it was bought. It is not what it is worth now or what it was worth after the Steel Co. got it, because the valuation might have changed materially, but it is what it was worth when they bought it.

Mr. LITTLETON. The fact that they own it and own so much of it and have owned it so long and have husbanded it and have owned and controlled other industries which use it may have increased its practical value, so far as the world is concerned now?

Mr. SMITH. We have stated it in this report. We have stated that the concentrated ownership undoubtedly added to its value.

Mr. LITTLETON. Is it not a fact that if that is true, if they acquired 70 per cent of the ore——

Mr. SMITH. Seventy-five per cent now. I do not think they had that at that time, but they have acquired practically 75 per cent now.

Mr. LITTLETON. Yes; 75 per cent now; and if these great concerns were all combined in the way they were in 1901, if they were able to issue what appeared to be an unaccountable seven millions of stocks on valuations which were not easy to be seen at the time, and were able to float those and to earn dividends upon them, and if they have been able to control the ore in the earth up to this time in the way that it has been controlled, and acquire latterly the Tennessee Coal & Iron ore, about which you have made some investigation, is it not a fact that the difference in valuation of $100,000,000 that is placed on the ore as against the $700,000,000 by the Steel Corporation of the ore itself grows out of the very combination and monopoly, and is produced by it?

Mr. LINDABURY. I object to that as calling for an opinion or speculation—that latter, it seems to me—on the part of the witness; and that with regard to a subject as to which opinion, I believe, is not admissible.

Mr. LITTLETON. Of course, Mr. Lindabury, the report about which I am examining the witness is itself filed with the opinions of the commissioner, and I could not do more than ask him concerning

his opinion in the report. I have no desire to push the investigation outside of the subject matter.

Mr. LINDABURY. But I submit to the committee that whatever report it makes ought to be based upon the facts and not upon opinions that of one or another, whether he be commissioner or not, chooses to give.

Mr. LITTLETON. When Judge Gary was here he was allowed for days the utmost latitude of opinion upon everything, from economics down to the last election, it made no difference what it was, if he thought it, and there was no objection made. We did not object, because this thing is a matter of opinion, and the thing is to get it supported by the greatest number of facts that will shed light upon it or support it.

Mr. SMITH. I think, without raising any objection, I can simply read the language that I used.

Mr. LITTLETON. Where is that?

Mr. SMITH. It is on page 50, at the bottom of the page, and we have used other language in other parts. This is the next paragraph from the bottom:

> Moreover, a considerable part of whatever actual appreciation has occurred in ore values—

That is, up to 1910—

> undoubtedly is due to the rapid concentration of ore property in the hands of a comparatively few interests, and especially in the hands of the Steel Corporation itself.

That is your point, I believe?

Mr. LITTLETON. Yes. That is, the valuations have increased, as they are held by one concern or practically dominated by one concern?

Mr. SMITH. Yes; undoubtedly.

Mr. LITTLETON. Yes. I want to draw your attention to this act again, because, frankly, I have more of a personal quarrel with this act than I have with anything else I have met for a long time. Section 6 reads as follows:

> SEC. 6. That there shall be in the Department of Commerce and Labor a bureau to be called the Bureau of Corporations, and a Commissioner of Corporations, who shall be the head of said bureau, to be appointed by the President, who shall receive a salary of $5,000 per annum. There shall also be in said bureau a deputy commissioner, who shall receive a salary of $3,500 per annum, and who shall, in the absence of the commissioner, act as and perform the duties of the Commissioner of Corporations, and who shall also perform such other duties as may be assigned to him by the Secretary of Commerce and Labor or by the said commissioner. There shall also be in the said bureau a chief clerk and such special agents, clerks, and other employees as may be authorized by law.
>
> The said commissioner shall have power and authority to make, under the direction and control of the Secretary of Commerce and Labor, diligent investigation into the organization, conduct, and management of the business of any corporation, joint stock company, or corporate combination engaged in commerce among the several States and with foreign nations excepting common carriers subject to "An act to regulate commerce," approved February 4, 1887, and to gather such information and data as will enable the President of the United States to make recommendations to Congress for legislation for the regulation of such commerce, and to report such data to the President from time to time as he shall require; and the information so obtained or as much thereof as the President may direct shall be made public."

You have been directed, I take it, by the President to make the report which is contained in the summary, part 1?

Mr. SMITH. Yes; to make it public.

The CHAIRMAN. You have been requested first to report it to him?

Mr. SMITH. I first submitted it to him.

Mr. LITTLETON. And then you were directed by him to make this public?

Mr. SMITH. Yes.

Mr. LITTLETON. Now, do you understand, and is it the contention of your department, that the fact that the act says that so much of it as the President may direct shall be made public, forbids you from communicating the information thus received to other branches of the Government?

Mr. SMITH. That is the interpretation that the Attorney General has placed upon it, Mr. Congressman.

Mr. LITTLETON. I can understand perfectly well why you should not be allowed to make public in a promiscuous way all the information as you get it, because it would defeat the objects of the bureau itself.

Mr. SMITH. Yes.

Mr. LITTLETON. But do I understand that it is the legal position of your department and of your chiefs there in the department that you shall not be permitted to communicate all or any of this vast amount of information that you have to any other branch of this Government?

Mr. SMITH. I think there is no question about that position, Mr. Congressman. The question arose about two years ago in a similar case with the Senate committee.

Mr. LITTLETON. I think I have that report before me, and I want you to point out to me where the Attorney General held that you would not be permitted to communicate to some other branch of the Government this information?

Mr. SMITH. I have not, of course, the report, but here is the language of the Attorney General in his opinion to me:

> I am, therefore, compelled to advise you that according to the proper construction of section 6 of the act to create the Department of Commerce and Labor it is not permissible for you to disclose the information or data collected by you or your predecessors as head of the Bureau of Corporations unless by special direction of the President.

Mr. LITTLETON. He did not say to whom you were not allowed to disclose it.

Mr. SMITH. It was in connection with the request, which we discussed previous to that, of the Senate committee, and was directly applicable to that request. I put up the question to him in the form of a letter asking him whether I had authority to communicate that information to the Senate committee, and I got this opinion in reply.

Mr. LITTLETON. Did you at that time or since that time investigate the absorption of the Tennessee Coal & Iron Co. by the United States Steel Corporation?

Mr. SMITH. To a certain extent, in so far as we refer to it in this report. That appears here.

Mr. LITTLETON. You simply refer here to the fact. Well, you have referred to it in several places?

Mr. SMITH. Yes; we have not a very long reference to it there.

Mr. LITTLETON. No. Were you commissioner at the time the absorption of the Tennessee Coal & Iron Co. took place?

Mr. SMITH. Yes; I was. That was in October, 1907.
Mr. LITTLETON. In November, 1907, was it not?
Mr. SMITH. October or November—right after the panic; at the end of the panic. The panic started October 24, I think, was it not?
Mr. LINDABURY. That was when the panic began. The so-called absorption was later.
Mr. LITTLETON. I use that word for convenience sake. We all know how the trade was really made.
Mr. SMITH. Yes.
Mr. LITTLETON. Did your department at that time investigate the Tennessee Coal & Iron absorption?
Mr. SMITH. No.
Mr. LITTLETON. Had you at that time investigated it?
Mr. SMITH. No.
Mr. LITTLETON. Had you any information at that time concerning the Tennessee Coal & Iron Co.?
Mr. SMITH. We may have had a little in connection with our general work on the steel industry.
Mr. LITTLETON. When did you begin this investigation of the steel industry?
Mr. SMITH. As I said at the start, I can not say exactly when we did begin it. We take these things up first in a somewhat tentative manner, and carry them along; and I was not commissioner when it started, but I know it started as early as 1906.
Mr. LITTLETON. When did you become commissioner?
Mr. SMITH. In March, 1907.
Mr. LITTLETON. Since that time you have personal knowledge of what has been done in regard to this investigation?
Mr. SMITH. In so far as the chief of the bureau can.
Mr. LITTLETON. Since 1907 your department has been more or less industriously investigating the three branches of the organization of the steel industry, as you have indicated in your report?
Mr. SMITH. Yes.
Mr. LITTLETON. And this is the first report that has been made on that subject, either to the President or which has been made public?
Mr. SMITH. Yes.
Mr. LITTLETON. Have you communicated to the Attorney General or to the Department of Justice any of the data or information which you have obtained since March, 1907?
Mr. SMITH. On the steel industry?
Mr. LITTLETON. Yes.
Mr. SMITH. I think not. If I have, it has been by the order of the President; and so far as I can recollect we have not. We give nothing to anybody or any department without the order of the President.
Mr. LITTLETON. Were you directed to submit this summary to the Department of Justice between the time of its disclosure and the time that the President directed you to make it public?
Mr. SMITH. No; we were simply ordered to make it public. We sent copies to the Department of Justice when it became public.
Mr. MCGILLICUDDY. Mr. Commissioner, on page 9 of the summary you say:

> But of the Lake ores, on which the present steel industry is based, it has about 75 per cent, and this advantage is materially enhanced by its extensive control of the rail transportation of the ore from the mines to the Lakes.

Will you state what advantages the company derived by reason of that so-called Hill lease, in detail?

Mr. SMITH. The Hill lease?

Mr. MCGILLICUDDY. Yes; I think that was the advantage you referred to.

Mr. SMITH. No; that was not that advantage we referred to there.

Mr. MCGILLICUDDY. What advantage did you refer to?

Mr. SMITH. We referred to the matter, as stated later in the report, of the ownership or control of the Duluth, Missabe & Northern and the Duluth & Iron Range Railroads, the two important railroads.

Mr. MCGILLICUDDY. Does the Steel Co. control those transportation lines?

Mr. SMITH. Yes.

Mr. MCGILLICUDDY. Do they own them?

Mr. SMITH. They own them through subsidiaries; yes, sir.

Mr. MCGILLICUDDY. There is no competition in that regard?

Mr. SMITH. No. Oh, there is competition in ore carrying. The Great Northern carries ore also. That is a matter of public knowledge.

Mr. MCGILLICUDDY. No; but I mean between these roads. Now, what advantage do they acquire by the Hill lease?

Mr. SMITH. We do not allow them much advantage from the Hill lease.

Mr. LINDABURY. I do not think you want to charge them with much advantage on that.

Mr. MCGILLICUDDY. You say here:

This lease covered enormous ore holdings.

That is on page x of the letter of submittal.

Mr. SMITH. Yes; this lease covered enormous ore holdings.

Mr. MCGILLICUDDY. What was the extent of these ore holdings that you speak of as enormous?

Mr. SMITH. I have not an idea what it was. I could not give it.

Mr. MCGILLICUDDY. Does not your information cover it?

Mr. SMITH. I think it will show the extent of it. I am not sure that it will show it distinctly, but it will cover whatever we have got.

Mr. LINDABURY. Is your 75 per cent outside of that?

Mr. SMITH. I think that is outside of the Hill lease.

Mr. MCGILLICUDDY. I was going to ask that question, whether the 75 per cent included the enormous holdings under that lease or not?

Mr. SMITH. I do not, for the moment, recollect.

Mr. LINDABURY. I have rather understood that it did.

Mr. SMITH. But I understand that it does; but I do not know.

Mr. MCGILLICUDDY. On page ix you speak of the corporation having about 75 per cent of these lake ores.

Mr. SMITH. Yes.

Mr. MCGILLICUDDY. Then you speak of the advantage being materially enhanced by the extensive control of railroad transportation.

Mr. SMITH. Yes.

Mr. MCGILLICUDDY. And then you speak of the Hill lease, and say that that covered enormous ore holdings.

Mr. SMITH. Yes; I think that must be included in the 75 per cent.

Mr. MCGILLICUDDY. And that is what I wanted to know.

Mr. SMITH. It is a little hard to keep all these matters in mind.

Mr. MCGILLICUDDY. Have you a copy of that Hill lease?

Mr. LINDABURY. Did we not furnish that to the committee at an early date?

Mr. SMITH. As I recollect, a copy of that lease is a volume about six inches thick.

The CHAIRMAN. A copy of the Hill lease was in the minutes.

Mr. LINDABURY. I think so.

The CHAIRMAN. I made a copy of it.

Mr. SMITH. We have seen a copy of it.

Mr. LINDABURY. If it has not already been produced we will produce it.

The CHAIRMAN. All right.

Mr. LINDABURY. One of the points about it to which attention has already been called is that it is terminable by the company at a short date. I guess it will be terminated.

Mr. LITTLETON. At what did you fix the valuation of the Tennessee Coal & Iron Co., as an additional property acquired by the Steel Corporation since 1901?

Mr. SMITH. The Tennessee Coal & Iron Co. I think we fixed at $49,000,000 or $59,000,000. I think it was $59,000,000.

Mr. LITTLETON. On page 41 it is given as $59,445,358.

Mr. SMITH. The value of the Tennessee Coal & Iron Co., as of the time it was acquired, is given on page 44 as $49,842,295.

Mr. LITTLETON. What did you base that valuation on?

Mr. SMITH. We did not have very much information on that, not so much as we would like to have had. We give it in the next paragraph—that is, on the next page.

Mr. LINDABURY. You give what information you had?

Mr. SMITH. We give an idea of it. We will give it more in full, of course, when we have the last report.

Mr. LITTLETON. You were not able at that time, do you mean, to embody in that summary a more substantial and reliable valuation of the Tennessee Coal & Iron Co. property at the time it was acquired?

Mr. SMITH. We gave the best we had.

Mr. LITTLETON. Is that valuation based on the market quotations at the time?

Mr. SMITH. We referred to that and took it into account.

Mr. LITTLETON. Did you make inquiry or has your department obtained any information as to the ore properties of the Tennessee Coal & Iron Co.?

Mr. SMITH. Yes; we have information as to them.

Mr. LITTLETON. Judge Gary has stated, I think, if I recollect it right, that there was something like 700,000,000 tons of iron ore, estimated, of the Tennessee Coal & Iron properties. Does that meet your view?

Mr. SMITH. I can not give that.

Mr. LINDABURY. Are you not mistaken? Did he not mention that as perhaps all sorts of ore? He did not give that as marketable ore, did he?

Mr. LITTLETON. I said iron ore. He gave that as the total. I did not classify the ore. I was examining him, and my recollection is that he said there was 700,000,000 tons of ore in the Tennessee Coal

& Iron property, but he did not differentiate in that statement as to the marketable character of the ore.

Mr. LINDABURY. I think he said that one-half of that could be regarded as marketable.

Mr. LITTLETON. You have not the facts on that?

Mr. SMITH. I have not the facts, but even if I had them in my mind, their value would be questionable, because the grade of the contents makes such a difference. There is iron everywhere, you know. It has been estimated that 5 per cent of the earth's crust is iron ore.

Mr. LITTLETON. Of the earth's crust?

Mr. SMITH. That is a statement that I have heard from some geologist.

The CHAIRMAN. How much of the earth's crust do you find that this concern now owns?

Mr. SMITH. Do not ask me, Congressman.

Mr. LINDABURY. Only an infinitesimal proportion of 1 per cent.

Mr. LITTLETON. Have you been requested by the Department of Justice or the President, at any time during your service there, to specifically investigate the absorption of the Tennessee Coal & Iron Co. by the United States Steel Corporation?

Mr. SMITH. No.

Mr. LITTLETON. And you have made no such investigation?

Mr. SMITH. Nothing more than we have included here, and will include in the other part.

Mr. GARDNER. I call your attention, Mr. Littleton, to a question you asked Judge Gary:

> Mr. LITTLETON. How much ore did it add to the possession of the United States Steel Corporation?
>
> Mr. GARY. There was an estimate, at the time we purchased, of 700,000,000 tons of ore; about 400,000 tons, as I remember, of which was usable, on top of the other—usable by their method.

I have that marked with a question mark. I suspect it means 400,000,000 tons instead of 400,000 tons, does it not?

Mr. LITTLETON. It must mean that.

Mr. LINDABURY. That was the figure that I had in mind.

Mr. GARDNER. It must mean 400,000,000 tons which was usable, on top of the other.

Mr. LINDABURY. Undoubtedly that means 400,000,000 tons.

Mr. LITTLETON. Judge Gary is made to say by the record, at pages 124 and 125:

> There was an estimate at the time we purchased of 700,000,000 tons of ore, about 400,000 tons, as I remember, of which was usable, on top of the other.

Instead of 400,000 tons it should be, by mutual consent or understanding, 400,000,000 tons.

Mr. LINDABURY. I would not want to consent to change Judge Gary's testimony.

Mr. LITTLETON. Well, put it as our recollection, then.

Mr. LINDABURY. My recollection is that he said 400,000,000 tons.

The CHAIRMAN. Yes. The Tennessee Coal & Iron Co. made reports, which, if I am not mistaken, were submitted at the time the property was taken over, giving detailed statements of red iron ore and brown ore, and all the ore.

Mr. LITTLETON. That is just a correction of the record.

Mr. LINDABURY. He might have said 400,000 when he meant 400,000,000, and that that is what he had in mind and intended to say I am as convinced as you are.

Mr. BEALL. Now, I want to get a little more information with regard to the genesis of this investigation by your bureau. I understand that at the time it originally started you were not at the head of the bureau?

Mr. SMITH. No; I was not.

Mr. BEALL. Did you hold a position in the bureau?

Mr. SMITH. I was deputy commissioner at that time.

Mr. BEALL. You were deputy commissioner at that time?

Mr. SMITH. Yes.

Mr. BEALL. Did you have any connection with the inception of this investigation?

Mr. SMITH. Practically none. I recollect that Mr. Garfield, who was then commissioner, talked to me about it a little, and I think he and I had a talk with Judge Gary in New York, simply, as I recollect it, arranging some date when our men would send for the information, but I had very little to do with it. Mr. Garfield and I divided our duties up.

Mr. BEALL. This act provides that investigations of this kind shall be made under the direction and control of the Secretary of Commerce and Labor. Was there any specific direction of the Secretary of Commerce and Labor to inaugurate this investigation?

Mr. SMITH. My impression is that there was, but I do not remember that.

Mr. BEALL. Do you know in what form that direction came?

Mr. SMITH. No; I do not.

Mr. BEALL. To what did it apply; to what did it extend?

Mr. SMITH. The direction?

Mr. BEALL. Yes.

Mr. SMITH. My recollection is very vague there, because I knew so little about it. I suppose it was a direction to investigate the steel industry. That is the way our directions generally come.

Mr. BEALL. That would include an investigation, then, not only of the United States Steel Corporation but of all corporations or concerns engaged in the production, in the manufacture, of steel?

Mr. SMITH. That is what we have done. This report is on the steel industry.

Mr. BEALL. According to your recollection, the investigation began as early as 1906?

Mr. SMITH. Certainly as early as that, I think.

Mr. BEALL. Do you think it is probable that it began earlier?

Mr. SMITH. As I said, those investigations very often started in a sort of tentative way. You could hardly strike the head of the river at its source. You can hardly tell where it starts.

Mr. BEALL. From the time it did begin it has continued down to the present time?

Mr. SMITH. Yes; with such interruptions as were forced on us by such imperative work as Congress or the President called for.

Mr. BEALL. Can you give the committee any idea of the expense that has been incurred in this investigation?

Mr. SMITH. I can; but I could not do it right here. We keep a very accurate cost record.

Mr. BEALL. Could you do that so as to form some idea now; could you lump it?

Mr. SMITH. No, sir; I could not.

Mr. LINDABURY. You are not charging that against the Steel Corporation?

Mr. BEALL. No; it has enough to answer for without being charged with that.

About how many men have you had engaged in that work?

Mr. SMITH. I should say on the average we have had 8 or 10 men; perhaps sometimes more. I think the average would be about 8; that is my impression—that is, of those who are directly engaged on it. Of course other parts of our force handled it, as they handle all other material. The stenographers handled it, and the computing division.

Mr. BEALL. Those 10 represent agents of the department that were directly engaged in the collecting and digesting of this information?

Mr. SMITH. That applies to our whole department on all lines of investigation. There is a division of steel investigation and a division of lumber, and there is a man at the head of each of these divisions with a number of men definitely assigned to him.

Mr. BEALL. Eight or ten men have been designated to do this particular work?

Mr. SMITH. Yes.

Mr. BEALL. Where have these men been engaged in this work? Have they been very largely here in Washington, or elsewhere throughout the country?

Mr. SMITH. Mostly in Washington, especially since the first year of the work. The field work was done largely during the first year or so, and most of the work has been since then in Washington.

Mr. BEALL. In the prosecution of this work, did they visit the different corporations that were engaged in the steel industry?

Mr. SMITH. Some of them did; yes, sir.

Mr. BEALL. How many of them did you visit, personally?

Mr. SMITH. Well, I do not think I visited any plants. I visited the Steel Corporation office. I think that is the only one I had the chance to go to.

Mr. BEALL. Did you visit the plant or the office of the Steel Corporation?

Mr. SMITH. The office. You understand that at the time that field work was being done I was deputy commissioner and did not have much to do with the steel investigation.

Mr. BEALL. How many times did you visit their office?

Mr. SMITH. The office of the Steel Corporation?

Mr. BEALL. Yes.

Mr. SMITH. My impression is that I have been in their offices twice; possibly three times.

Mr. BEALL. With whom did you have your conferences? With whom, representing the Steel Corporation, were your conferences held?

Mr. SMITH. The first time in the Steel office was with Judge Gary, and I do not think anyone else was present. The second time Judge Gary and W. J. Filbert, the controller of the corporation, and Mr. Trimble, the secretary, and two of my own men were there.

Mr. BEALL. And these visits were at about the same time, or was there considerable interval between?

Mr. SMITH. There was considerable interval between. I should think a year, at least.

Mr. BEALL. What was the purpose of your interview with Judge Gary and other representatives of the Steel Corporation?

Mr. SMITH. The purpose of the first interview was to get Judge Gary to consent to our keeping those transcripts of the cost sheets which I have spoken of for a while longer. We had made transcripts, rather against our original pledge not to keep copies, and my visit was to see the judge in order to see whether we were complying with the spirit of that pledge, and I wanted to see and ask them whether we could keep these cost sheets until the 1st of November. That was the first interview. The second interview was shortly before we published this report. We had a number of details and figures that we were not entirely clear about, so that I took two of my men, at any rate, and went over to the corporation's offices. We were in a hurry, because we wanted to get this through for you gentlemen as fast as we could, and we went over to New York and spent a day there going over this matter where we were not thoroughly satisfied about the completeness of our information, with the gentlemen I named.

Mr. BEALL. That was getting their consent to retain the cost lists?

Mr. SMITH. The first interview was to get their consent to retain copies of the cost lists until the 1st of November, and the second visit was to get further information on points we found we were not entirely clear on.

Mr. BEALL. You requested the Steel Corporation to give you certain data—certain information?

Mr. SMITH. Yes.

Mr. BEALL. Were those requests in writing or were they verbally made?

Mr. SMITH. Do you mean at the last visit we made?

Mr. BEALL. Your general custom in seeking information of the Steel Corporation is what?

Mr. SMITH. We almost always make the requests in writing.

Mr. BEALL. Of course you have copies of those requests in your office?

Mr. SMITH. Oh, yes.

Mr. BEALL. Did the United States Steel Corporation respond to those requests?

Mr. SMITH. In general, they did. As far as I can recall they responded to all of them. There were some they said they could not furnish; they had not got the material.

Mr. BEALL. Was there any question at any time raised by Judge Gary, or anyone else connected with the Steel Corporation, as to the propriety or advisability of furnishing your department with information you sought?

Mr. SMITH. There was no question raised after he had imposed the condition I spoke about, as to the cost sheets; that those must be returned, and we were not to keep copies of them.

Mr. BEALL. Now, let us see if I understand: Under the law you had a right to demand this information without any condition attached?

Mr. SMITH. We had a right to subpœna them.
Mr. BEALL. You had a right to subpœna them?
Mr. SMITH. Yes.
Mr. BEALL. You had the right to compel the production of any books or papers or data of any kind in relation to to the Steel Corporation?
Mr. SMITH. Yes.
Mr. BEALL. Why did not the department or the Bureau of Corporations resort to an exercise of that right?
Mr. SMITH. There were two very good reasons for that. In the first place, if we had exercised that right we would have had to issue a subpœna, and that, under our law, would have given immunity as to all prosecution as to anything to which they gave information, and neither Mr. Garfield nor myself wanted to take any such chances.
In the second place, the law of the bureau itself has never been legally construed, except in one minor instance, and the forcing of the question adversely might have taken, I presume, a long litigation to the Supreme Court before we got any information at all. It might have hung us up for three or four years, perhaps. But the chief reason was the question of our reluctance to give any immunity.
Mr. BEALL. Did you advise Judge Gary that that was the reason you were making your request in the form you did?
Mr. SMITH. I did not advise him so. I do not know what Mr. Garfield did.
Mr. BEALL. Did you discuss with Judge Gary the question of immunity in any kind of way?
Mr. SMITH. I never have.
Mr. BEALL. At the time you were seeking this information there was no prosecution of any kind pending or in contemplation, so far as you knew?
Mr. SMITH. So far as I knew; no, sir.
Mr. BEALL. Up to the present time, so far as you know, none has been instituted?
Mr. SMITH. Of course, there are the various wire indictments, but none against the Steel Corporation by the Federal Government.
Mr. BEALL. And these prosecutions that you refer to have been instituted within the last two or three weeks?
Mr. SMITH. Those are the ones I meant—two or three weeks ago.
Mr. BEALL. Those are the ones to which you referred?
Mr. SMITH. Yes.
Mr. BEALL. I notice in Judge Gary's testimony that he says that he has furnished information at a cost to them of many hundreds of thousands of dollars. Was the information furnished by the Steel Corporation very expensive?
Mr. SMITH. Yes.
Mr. BEALL. The information that you have that came from the Steel Corporation is information that was furnished you without anybody being under oath?
Mr. SMITH. Yes.
Mr. BEALL. The facts, then, that you have in your office as the result of this investigation are statements of facts, or statements of alleged facts, that are not supported by the oath of anyone?
Mr. SMITH. So far as the Steel Corporation is concerned. Of course we have certain information that came in another connec-

tion, which is in the form of affidavits, but not made as affidavits to us; they are affidavits in court suits.

Mr. LINDABURY. Will you pardon me? Will you ask him if this information he got from the Steel Corporation was a transcript of books and accounts? That is what I suppose it was.

Mr. BEALL. What was the character of the information that was given to you by the United States Steel Corporation?

Mr. SMITH. Almost wholly copies of books, transcripts from books, accounts, and records of various sorts—minutes.

Mr. BEALL. Did anybody representing your bureau examine the books and minutes and records of the Steel Corporation to verify the correctness of statements thus furnished?

Mr. SMITH. Very largely. We went back and examined them.

Mr. LINDABURY. He testified to that this morning.

Mr. SMITH. Yes.

Mr. BEALL. Did they examine those things for the purpose of ascertaining whether or not the information that had been furnished was complete, whether it represented all the facts that might be furnished by those records?

Mr. SMITH. We examined them for both purposes, as to completeness and accuracy.

Mr. BEALL. Did they send those excerpts from the books and records here to Washington?

Mr. SMITH. Yes; I think entirely so.

Mr. BEALL. And the examination of these excerpts was made here in Washington?

Mr. SMITH. The examination by whom?

Mr. BEALL. The examination by the representatives of your bureau. They would send the copies of the records, the transcripts of the records, to you here?

Mr. SMITH. Yes.

Mr. BEALL. And you would examine them here?

Mr. SMITH. Yes.

Mr. BEALL. Would the representative of your department go to the books from which they were purported to have been taken and examine those books and pass upon the correctness of those transcripts?

Mr. SMITH. One of my men would take the transcripts sent and go directly to the office of the corporation, after he had got a lot of them, and check them right back on the books of the corporation—pick out selected items through.

Mr. BEALL. Of course, if it had not been for the question of immunity and the other proposition you mentioned, you could probably have gotten more satisfactory information by utilizing the agencies that were provided by law?

Mr. SMITH. I am not entirely clear about that. You can often get a good deal more by cooperation than you can by compulsion. You can see, as a matter of fact, exactly what might happen. Suppose you were to go at a corporation in a hostile way and serve a subpœna on them, saying, "You have got to give it up," and they should say, "We will not." It is perfectly easy to lose books and records and destroy evidence in a way that can not be discovered.

Mr. BEALL. You have no suspicion that anything of that kind would have been done in a great corporation like this?

Mr. SMITH. I have seen it done in other corporations. I do not want to take any chances with any corporation. I do not mean to say that it would have been done, but it is not our business to take any chances, of course.

Mr. BEALL. But, at least, whatever data you might have obtained in the other way would have been data supported by oath.

Mr. SMITH. I would not have considered that much more valuable, or any more valuable.

Mr. BEALL. Did you get from the other steel-making concerns these cost sheets?

Mr. SMITH. From a great many of them; yes; of what they call the primary concerns, the ones that make the cruder forms of steel.

Mr. BEALL. Were they secured with the same sort of promise of secrecy?

Mr. SMITH. Yes; we had to treat them all alike, of course.

Mr. BEALL. And in regard to the returning of originals and the destruction of any transcripts you might make?

Mr. SMITH. Yes; we had to treat them all alike.

Mr. BEALL. The statements that are made in this report are statements that are based upon the information that you secured, or that your department secured, during all these years?

Mr. SMITH. Yes.

Mr. BEALL. And all these statements contained in this report, in your judgment, are supported by facts that you secured?

Mr. SMITH. Yes.

Mr. BEALL. In the letter of submittal you say that the dominant concern is the United States Steel Corporation. What do you mean by that? Dominant in what respect?

Mr. SMITH. I should have to leave you to draw your own conclusions from that. That is the concern that dominates.

Mr. BEALL. Does it dominate in the production, or does it dominate in the price? You mean something by that statement.

Mr. SMITH. Yes; I mean that it is the dominant concern in the industry. It is the dominant concern in the steel industry.

Mr. BEALL. It dominates, then, in production, or dominates in price?

Mr. SMITH. Just exactly as we state it there.

Mr. BEALL. There is no limitation upon the statement as to the meaning of the statement that it is the dominant concern?

Mr. SMITH. No; there is no limitation upon it as a general statement. We do not say that it dominates in every particular detail of the business. It is a general statement, and is meant to be a general statement.

Mr. BEALL. On the same page you state as follows:

> Until about 1898 the bulk of the business was distributed among a very considerable number of concerns. There was sharp competition, modified by frequent pools and price agreements of greater or less duration and effectiveness.

In you investigation you secured evidence sufficient to justify you in your statement that prior to 1898 there had been frequent pools and price agreements among steel manufacturers?

Mr. SMITH. No question about it.

Mr. BEALL. And that in 1899 and 1900 the situation was that there were three great companies—the Carnegie Co., the Federal Steel,

and the National Steel—dominating the production of crude and semifinished steel.

Then on page v of your letter of submittal you say:

> By merging these conflicting interests into a great corporation, the threatened "steel war" would be averted, and great profits realized from the flotation of securities.

Your investigation resulted in securing evidence that was sufficient for you to predicate this statement upon?

Mr. SMITH. Yes.

Mr. BEALL. That as a result of merging these concerns the trade war would be averted?

Mr. SMITH. Yes.

Mr. BEALL. And great profits would be realized from the flotation of securities. Your investigation further satisfied you that competition between the concerns that united, that merged, to form the United States Steel Corporation was eliminated by that consolidation?

Mr. SMITH. Yes.

Mr. BEALL. You have already referred to the enormous profits that were made in the securities?

Mr. SMITH. Yes.

The CHAIRMAN. Mr. Smith, in 1906 a resolution known as the Hansbrough resolution to investigate the National Harvester Co. and allied concerns engaged in the production and sale of farm machinery, and so forth, was referred to the Department of Commerce and Labor, was it not?

Mr. SMITH. Yes; I believe that was the resolution.

The CHAIRMAN. And it remained in the Department of Commerce and Labor until January, 1908, when I find, according to the Record, the resolution was passed. I read as follows:

> Senator HANSBROUGH. I offer a resolution for present consideration.
> The resolution offered is as follows:
> The Department of Commerce and Labor is hereby directed to suspend its investigations into the affairs of the National Harvester Co. under the resolution authorizing such investigation.

That is correct, is it?

Mr. SMITH. My impression is that that later resolution was not passed.

The CHAIRMAN. It was referred to the Committee on Agriculture.

Mr. SMITH. I do not think it was passed; if so, I am wrong in my recollection as to the latter one.

The CHAIRMAN. Did any representatives of the United Steel Corporation or of the International Harvester Co. come down here to see the department about that?

Mr. SMITH. About what?

The CHAIRMAN. About that resolution.

Mr. SMITH. You mean the second one?

The CHAIRMAN. The Hansbrough resolution.

Mr. SMITH. You mean the one suspending the inquiry?

The CHAIRMAN. Yes.

Mr. SMITH. No.

The CHAIRMAN. Did not Mr. Perkins come here to Washington and come to the department?

Mr. SMITH. Mr. Perkins has been in my office several times in regard to the National Harvester Co., and I do not recall that he ever mentioned that resolution.

The CHAIRMAN. Did he not go with you to see the President about it?

Mr. SMITH. No; he has never seen the President with me, to my knowledge.

The CHAIRMAN. In the minutes of the United States Steel Corporation, on June 26, 1906, the following occurred:

The roll being called, the following directors answered to their names: E. H. Gary, Henry C. Frick, Henry H. Rogers, Thomas Morrison, George W. Perkins, Edmund C. Converse, James Gayley, Marvin Hughitt, John D. Rockefeller, jr., William E. Corey, George F. Baker, Nathaniel Thayer, Clement A. Griscom.

The chairman of the board, Mr. E. H. Gary, occupied the chair.

At that time you were deputy commissioner, were you not?

Mr. SMITH. What was that date?

The CHAIRMAN. June 26, 1906.

Mr. SMITH. I was deputy commissioner.

The CHAIRMAN. I find this statement made at that time by Judge Gary to his board of directors:

You also perhaps saw a statement in the newspapers this morning that the Government was making investigations of the United States Steel Corporation, and that Mr. Smith, one of the deputies in the commissioner's department, had testified before the committee to that effect. I have no doubt the deputy did make the statements which were published. At the last session of Congress a resolution was passed by both Houses asking the Commissioner to investigate the United States Steel Corporation. The Commissioner did not pay any attention to that resolution.

Do you know anything about that?

Mr. SMITH. That is the commissioner. As to the statement attributed to me, I think that probably was a statement I made before the Appropriations Committee.

The CHAIRMAN. Do you know whether any attention was paid to the resolution?

Mr. SMITH. To which resolution, Mr. Chairman?

The CHAIRMAN. To the resolution to which Judge Gary refers, here?

Mr. SMITH. I do not know to which he refers, there.

The CHAIRMAN. Passed by the House.

Mr. SMITH. That is not entirely clear. You read two Hansbrough resolutions.

The CHAIRMAN. No; I am talking now about the resolution Judge Gary is talking about. Judge Gary says:

At the last session of Congress a resolution was passed by both Houses.

He states it as a fact, that the resolution was passed by both Houses, asking the commissioner to investigate the United States Steel Corporation.

Mr. SMITH. Oh; I beg your pardon. I did not get that.

The CHAIRMAN. Now, Judge Gary says that the commissioner did not pay any attention to that resolution.

Mr. SMITH. I do not know anything about that. That was Mr. Garfield.

The CHAIRMAN. Do you know who told Judge Gary the department was paying no attention to resolutions of Congress?

Mr. SMITH. No.

The CHAIRMAN (reading):

But soon after Congress adjourned he did—

That is, yourself, the commissioner, I mean—

appear at this office and stated that he believed it was his duty to know generally, perhaps in detail, about our business, about our corporation, its capital stock, its liabilities, its assets, the amount of its business, the costs of production, and its methods generally. After considering the question very carefully our finance committee seemed to think that it was good policy and perhaps advisable to aid the commissioner in making his investigation, and the investigation has been going on more or less since that time. As stated, however, by the deputy commissioner, we decided to furnish the information that was requested at our own expense and by our own labor.

Is that a fact?

Mr. SMITH. I do not recollect just what my statement was.

The CHAIRMAN. Was this information furnished at the expense of the United States Steel Corporation and by their own labor?

Mr. SMITH. A good deal of information was furnished by the United States Steel Corporation, at their own expense, and we then verified it.

The CHAIRMAN (reading):

The questions which have been asked are very numerous, very searching, and very comprehensive, and we have undertaken to answer these questions in detail. They involve a great deal of labor on the part of our officials and of the subsidiary companies particularly, so much so that with respect to many subjects the representative of the department has said that they would not have the time to go over it if we went further into detail or covered a longer period.

I am making this explanation because you are interested in it—

That is, the Steel Corporation—

because you may be more or less disturbed without reason. The finance committee has been in close touch with this matter all the time.

Do you know wether that is true or not?

Mr. SMITH. I do not know anything about the operations of their finance committee, Mr. Chairman.

The CHAIRMAN. You were deputy commissioner at that time?

Mr. SMITH. Yes; but I had very little to do with the steel work.

The CHAIRMAN. Did you hear at that time that representatives of the finance committee of the Steel Corporation were keeping in close touch with the department in its investigation of their own affairs?

Mr. SMITH. Let me see. I knew that Mr. Garfield had had conferences with officers of the Steel Corporation. I did not know how far or what it was about, except in a general way.

Mr. GARDNER. Mr. Chairman, will you read the last clause about keeping in touch with the finance committee again?

The CHAIRMAN (reading):

The finance committee has been in close touch with this matter all the time.

Mr. LINDABURY. Just before that.

The CHAIRMAN (reading):

I am making this explanation because you are interested in it, because you may be more or less disturbed without reason. The finance committee has been in close touch with this matter all the time.

Mr. GARDNER. I thought that your question to Mr. Smith rather implied that the finance committee had been in close touch with the Department of Commerce and Labor.

Mr. SMITH. That is what I understood the question to be.

The CHAIRMAN (reading):

We (the finance committee—these directors) have been in frequent and almost constant communication with Commissioner Garfield and more or less with the President himself concerning these matters.

Do you know what representative of the United States Steel Corporation was in frequent conference with Commissioner Garfield and with the President?

Mr. SMITH. I do not know which one it could have been.

The CHAIRMAN. To refresh your memory, I will ask you if it was not Mr. George W. Perkins?

Mr. SMITH. It may have been. It may have been; I do not know.

Mr. LINDABURY. How does the chairman think that would refresh the recollection of the witness?

The CHAIRMAN. He says he is acquainted with the gentleman.

Mr. LITTLETON. He testified that he had been to see him.

Mr. LINDABURY. He has said nothing about knowing who saw the commissioner or the President.

The CHAIRMAN. I would suggest to the gentleman that that is a matter between Mr. Smith and the chairman, by which the Steel Corporation could not be hurt one way or the other—unless you represent both Mr. Garfield and the Steel Corporation.

Mr. LINDABURY. I am not representing either Mr. Garfield or the witness, but I am representing the Steel Corporation; and I do not like to see——

The CHAIRMAN. Can you give us the information?

Mr. LINDABURY (continuing). I do not like to see a record made up here that has matters of fact suggested by the questions erroneously, as I think.

The CHAIRMAN. I would be willing to have the gentleman state who it was.

Mr. GARDNER. Does the chairman's question lead to the implication of collusion between the President and Commissioner Garfield and the Steel Corporation?

The CHAIRMAN. Oh, I would not say that. It implies activity, an unseemly activity, on the part of somebody representing the United States Steel Corporation.

Mr. GARDNER. It would seem to me to imply unseemly activity in their relations with President Roosevelt and Commissioner Garfield. Is that what you meant to imply?

The CHAIRMAN. On the part only of whoever this man was. We can tell better after we know that.

Mr. GARDNER. It was the question of the chairman I wanted to elucidate and not the minutes.

The CHAIRMAN (reading):

Up to date they have made no complaint of us whatever; but we do not know any better than you do what may be the future. We are trying to be frank and accommodating to the department, and we suppose we have an understanding that we will not be unnecessarily injured——

Mr. STERLING. Whose language is this?

The CHAIRMAN. Judge Gary's.

Mr. STERLING. To whom?

The CHAIRMAN. To Mr. Frick, Mr. Rogers, Mr. Morrison, Mr. Perkins, Mr. Converse, Mr. Gayley, Mr. Hughitt, Mr. Rockefeller, Mr. Corey, Mr. Baker, Mr. Thayer, and Mr. Griscom.

Mr. STERLING. The executive committee?

The CHAIRMAN. Yes.

Mr. LINDABURY. Is that "necessarily injured" or "unnecessarily injured?"

The CHAIRMAN. It may be a clerical error. I told my secretary to verify it, and she said she was certain the word was "necessarily." It may be "unnecessarily," however. The copy was made with care. [Reading:]

And that we will not be wrongfully charged without having an opportunity to show the facts. We have seen nothing to show us that we need anticipate any trouble. Quite likely in some respects we may be traveling very near the line between propriety and impropriety. It would be a very remarkable corporation if we were not. We are not trying to place ourselves on any pedestal, but we propose to get right and keep right, and are trying to satisfy the powers that be if we can, and keep out of trouble if possible.

Have you any information, direct or indirect, that you could give this committee that would enlighten us as to where Judge Gary obtained the information upon which he based that statement?

Mr. SMITH. No.

Mr. DANFORTH. Did you state when those cost sheets were returned to the corporation?

Mr. SMITH. Did I state when they were returned?

Mr. DANFORTH. Yes.

Mr. SMITH. I did not; and I do not think I could state offhand.

Mr. DANFORTH. The transcripts were destroyed, I think you said——

Mr. SMITH. November 1.

Mr. DANFORTH. Of last year?

Mr. SMITH. Last year. That was our pledge, and the cost sheets were returned, I think, seriatim as we got through with them. I could not give the dates without reference to our correspondence.

Mr. DANFORTH. They were not returned altogether?

Mr. SMITH. Oh, not altogether. I think not. I simply gave general orders to have them returned.

Mr. DANFORTH. They were all returned last November, you are sure?

Mr. SMITH. Yes; I am certain. That was my order, and I suppose they have been. My men say they were all returned.

Mr. MCGILLICUDDY. Does this Part I cover all your investigations in the matter of the Steel Co.'s profits?

Mr. SMITH. No. Oh, profits? No, I think not; because when we come to the question of costs, Mr. Congressman, I think we will take up further the question of profits from a different standpoint.

Mr. MCGILLICUDDY. Has your bureau made any investigation of sales of steel and iron products of this company abroad?

Mr. SMITH. By this company?

Mr. MCGILLICUDDY. By the Steel Co.

Mr. SMITH. Yes; we have some facts on that, I think.

Mr. MCGILLICUDDY. Are they in this report?

Mr. SMITH. They are not in this. They will come in the part that deals with prices, I should say.

Mr. MCGILLICUDDY. Have you ever investigated the matter of the amount of product sold abroad and the prices there as compared with the prices here?

Mr. SMITH. My impression is that we have some information on that subject. We have tried to get it.

Mr. MCGILLICUDDY. That has not yet been made public?

Mr. SMITH. No.

Mr. LITTLETON. Harking back to section 6——

Mr. SMITH. Yes.

Mr. LITTLETON. You have said here that that is true, that the Steel Co. furnished its own labor and provided the expense——

Mr. SMITH. I suppose they did.

Mr. LITTLETON (continuing). For this investigation?

Mr. SMITH. For their part; for what they furnished they paid the expense. We did not.

Mr. LITTLETON. In other words, whatever was furnished to you was furnished to you by their own labor and at their own expense?

Mr. SMITH. Except so far as our own men worked on that same material.

Mr. LITTLETON. In your department?

Mr. SMITH. Yes.

Mr. LITTLETON. Is it the custom of your department to allow concerns whose business you investigate to furnish information by their own labor and at their own expense?

Mr. SMITH. We have frequently allowed them to do so, verifying it ourselves always. I think we got more in this case than in any other, probably; but not very much more.

Mr. LITTLETON. Do you think in a case like that the department would be justified in saying that that was within section 6, a matter not to be disclosed except by direction of the President?

Mr. SMITH. Certainly.

Mr. LITTLETON. If a corporation agrees by its own labor and at its own expense to furnish information to your department, do you consider that a departmental investigation?

Mr. SMITH. A bureau investigation; certainly.

Mr. LITTLETON. You allowed the Steel Corporation to investigate itself, and you went out and tried to verify its own investigation?

Mr. SMITH. Certainly not. We have them make a report. They bring it, and we verify it.

Mr. LINDABURY. The committee will remember that that is exactly the course pursued by Gov. Hughes in investigating with such great success the insurance companies. Precisely that course.

Mr. LITTLETON. You mean that he allowed them to investigate themselves?

Mr. LINDABURY. He called for specific information, and then he verified it.

Mr. SMITH. I want to object strongly to the use of the words "allowed them to investigate themselves."

Mr. LITTLETON. I asked the question.

Mr. SMITH. I say we did not.

Mr. LITTLETON. Well, you have answered it. The objection, so far as that is concerned, is an objection to the form of the question. I have no desire to be offensive about it, but I simply want to impress you, as the commissioner, while you are here with the idea that section 6, so far as I am concerned, is an absolute monstrosity in the administration of the commission, if it is going to be administered in that way.

Mr. DANFORTH. The witness is not responsible for the section or for the administration.

Mr. LITTLETON. I think the department is responsible for the position it took before the Senate committee, and for taking the position that the information obtained at the expense of the Government is to be impounded and kept away from other branches of the Government.

Mr. STERLING. I suppose Congress is responsible for the law.

Mr. LITTLETON. The point I make is that that is not the law, and it ought not to be interpreted in that way, and that that interpretation is a perversion of it.

Mr. SMITH. The department is not responsible for the interpretation. That is the interpretation of the Attorney General.

Mr. LITTLETON. I am not saying who is responsible. If I have shown any heat about it, it is because of the interpretation placed on it back in the Senate committee.

Mr. LINDABURY. Investigate the Attorney General's department.

Mr. LITTLETON. You spoke about Mr. Hughes's investigation of the insurance companies, about which I dare say you know more than I do; but the fact about that was (in order that it may all come in together) that he asked them to furnish the information, but he also had a committee before which all of the witnesses were sworn, and a public examination; and the verification was made before the legislative committee under the very astute examination of Gov. Hughes himself.

Mr. LINDABURY. I think that is not a full or accurate explanation. I speak with confidence, because I was there through that investigation.

Mr. LITTLETON. I mean to say (and it is in reply to what you say) that there was no such thing as a department sending to the insurance companies and asking them through a period of years to furnish them with their own statement and transcript, and then sending clerks and bureau employees out to verify it, and then coming back and making a report. It does not compare with this thing at all.

Mr. LINDABURY. What happened was that Gov. Hughes did sent out to the insurance companies a requisition which required a transcript of their books and accounts and a multitude of matters, and then those were taken up by his experts and verified. Then when the examination came on, which was really in public and which was a small part of the work they did, the witnesses were inquired of with respect to particular items shown by these accounts that seemed to need elucidation in the mind of Gov. Hughes.

Mr. LITTLETON. Quite right. He had information obtained in that way as a basis for the examination of the witnesses.

Mr. LINDABURY. Yes.

The CHAIRMAN. There is no reference that I have seen in that investigation to the fact that the insurance companies rested under any fancied security that they would not be disturbed.

Mr. SMITH. I am not responsible for any assumptions that Judge Gary may have made.

The CHAIRMAN. But this is not responsible for the equanimity with which they received the notice of this investigation.

Mr. DANFORTH. Mr. Chairman, has this any place in our examination? Is not all this discussion between one of the members of our

committee and the counsel representing the Steel Corporation beside the question? Are we not wasting time on it?

The CHAIRMAN. I would not say that it was directly material——

Mr. DANFORTH. It is very interesting.

The CHAIRMAN. But as a collateral matter it is, perhaps, useful information.

Mr. DANFORTH. To increase our general knowledge; I admit that.

The CHAIRMAN. Yes. It is all valuable information, although it might not be admissible under technical rules.

Mr. LITTLETON. If my colleague refers to the colloquy I have had with the counsel for the Steel Corporation, perhaps I ought to be allowed to answer the inquiry rather than the chairman. My inquiry regarding the method by which this investigation was conducted, and with reference to the scope of this statute, relates to the economy of time rather than the loss if it. I say, Mr. Chairman, that it is the height of stupidity that we should sit here in this committee endeavoring to ascertain information which is at the other end of the street, which has been obtained at the expense of the Government over a period of years, since 1906. We sit here, and we find the wall of at least a factitious, if not a fictitious, construction standing between us and that information, and we go thundering around in the index trying to find the things that we are after. It is against that kind of stupidity that I am protesting.

Mr. DANFORTH. It is our haste that is making us waste time, because as soon as this information is collated I believe we will get it.

The CHAIRMAN. Which may be within a year.

Mr. DANFORTH. Well, the Steel Corporation is not going to get away within a year.

The CHAIRMAN. But some of us may.

Mr. DANFORTH. Yes; that is true.

Mr. MCGILLICUDDY. Mr. Lindabury, will you, as counsel for the Steel Corporation, furnish the committee with the same data or the same information that you furnished the bureau, so that we may have an opportunity to observe it?

Mr. LINDABURY. Do you mean the data in regard to costs?

Mr. MCGILLICUDDY. I mean all of the data that you furnished to the Bureau of Corporations; so that we may see it as they did.

Mr. LINDABURY. I do not know whether we have copies of everything we furnished. The attitude of the Steel Corporation has been to furnish everything to this committee that is asked for, as promptly as possible. That has been the general policy, of course within reason, and nothing beyond that has been asked for, nor do I anticipate that it will be. In that general way I could say yes to your question. I have not any doubt that, proceeding in that way, we would get along very much faster than in any other, unless we were to be put under the imputation that the chairman has just passed upon the information gotten in that way. We do not want, after we have waived immunity by giving information voluntarily to the committee, and having thrown aside our right to refuse to answer anything before the committee, and after giving everything that we can to the committee, to be charged with having simply investigated ourselves, and ridiculed or condemned because we did not draw within our own shells and compel the production of everything by subpœna, and under oath.

Mr. McGILLICUDDY. I certainly was not charging anything.

Mr. LINDABURY. I know you were not; but I say to you that if we lay before the committee voluntarily everything we can, we do not want to be condemned for it.

Mr. McGILLICUDDY. I know; but will you, as the only representative of the company that we can face here, furnish that information?

Mr. LINDABURY. I think we will.

Mr. McGILLICUDDY. How soon do you think you will be able to do it?

Mr. LINDABURY. I do not know what you want.

Mr. McGILLICUDDY. I want just what they had.

Mr. LINDABURY. Well, in the first place I personally do not know what they had.

Mr. McGILLICUDDY. The company knows, of course. They have copies, I suppose. Those copies that they took back they retained?

Mr. LINDABURY. But the company is not here, and I am only answering from such information as I have. The only things that the company took back, so far as I have heard, are these cost sheets, and I have already explained to the chairman that I am ready to make some arrangement with the committee about these cost sheets. This corporation, like any other manufacturing corporation, does not want to disclose its detail cost sheets to the world—to its competitors. I am ready to enter an arrangement to furnish them to the committee upon terms that, so far as they are published in the reports, that the committee's expert or some one shall so arrange them that they do not give to the world the detailed cost of manufacture, that would be of use to our competitors and correspondingly injurious to the company. With that arrangement we can have no trouble with respect to that matter. Now, what else it is I do not know; but if specific information is asked, if you will give me some idea of what you desire, I have no doubt but that we can furnish it.

Mr. McGILLICUDDY. I ask that you furnish to this committee whatever information and data was furnished to the Bureau of Corporations. That is all, I think, we could ask. I ask for whatever was furnished to them.

Mr. LINDABURY. If they have copies of whatever they furnished to the commissioner; yes. I do not know about that.

Mr. STERLING. I would like to ask the chairman or any member of this committee a question. I understand that the Commissioner of Corporations has all the information that we seek to get from the United States Steel Corporation. He says it will take some time to furnish it to the committee, assuming that he will get permission from the President to furnish it—and I have not any doubt that he will. Would it be possible for us to gather this information on our own account and be able to put it into intelligent form at an earlier date than we would receive it by waiting and getting it from the Bureau of Corporations? It seems to me that they have the labor, the help, and system to compile this information, and that they would probably give it to us at an earlier date that we could possibly get it by any labor we might undertake to put on it. Of course, if there is any other information that we might want, we could pursue our investigation into that and get it, if possible; but I do not know whether there is further information than what the Commissioner of Corporations has already gathered, or not, that we expect to get.

Mr. LITTLETON. The suggestion I made a moment ago in connection with what you are now saying was this: There is absolutely no assurance, and no assurance can be had, under the attitude taken by the bureau that we are going to be furnished anything more than these summaries of conclusion with which we are met in connection with problems which we ought to know the facts about. The complaint I made was that I believed the department should furnish the committee with the facts upon which they base their conclusion. In addition to that, it turns out that the investigation as made—but I am not animadverting upon that in any way at all—was made by reports of various employees of the Steel Co., subsequently verified as to selected items by subordinates in the bureau. I would not want the committee to be bound to conclude its investigation with that.

Mr. STERLING. I would not, either; but after we get this information from the bureau, if we have any doubt about its correctness, or if we think there is further information that we ought to have, or if we know now of any further information that we ought to have, and that the bureau has not already gathered, why not pursue that line and get it? I think we can ascertain in a very few days as to the extent of the information we can get from the bureau. I have not any doubt but that the President will authorize that information to be given to us.

The CHAIRMAN. I will say that, in the first place, the hearings of this committee—this matter has been discussed in executive session, but it is no secret—for the next two weeks will touch matters about which the department does not claim to have any knowledge.

Mr. STERLING. I think I understand what you refer to thoroughly. I think we ought to proceed and continue the investigation along those lines.

The CHAIRMAN. Right there, to illustrate: Did you investigate into the character of the absorption of the Shelby Steel Tube Co.?

Mr. SMITH. We have some information. That was part of the original merger.

The CHAIRMAN. Did you inquire into the legality or illegality of the methods by which that company was taken over?

Mr. SMITH. I have no recollection of that subject matter; no. I do not recollect it.

The CHAIRMAN. Did you make any inquiry into the absorption of the Clairton Steel Works?

Mr. SMITH. Yes; we have the facts on that.

The CHAIRMAN. Have you any data showing the legality or illegality of that merger?

Mr. SMITH. I presume that we have facts which would bear on the legality of the merger. I do not know what bearing it would have.

The CHAIRMAN. Have you any contracts between the Clairton Steel Works, the Crucible Steel Co., and the United States Steel Corporation showing whether or not the consideration for the absorption of that company was a specific restraint of trade? I do not make that charge, but I ask if you have that information?

Mr. LINDABURY. Those contracts have already been given to the chairman of the committee and read by him. They have been read by the chairman.

The CHAIRMAN. I am not making any charge.

Mr. LINDABURY. They are in the hands of the chairman.

Mr. SMITH. If they are in your record, of course we have them.

The CHAIRMAN. Have you any information in regard to that?

Mr. SMITH. I am not sure.

The CHAIRMAN. Have you any information of any character, shape, or description, showing the prorating of railroad rates between common carriers of the United States Steel Corporation and other common carriers?

Mr. SMITH. Prorating?

The CHAIRMAN. Yes. For instance, the United States Steel Corporation owns 100 miles of railroad——

Mr. SMITH. Yes.

The CHAIRMAN. And it ships from its plant over one road for 100 miles, and over somebody else's road for 1,000 miles.

Mr. SMITH. I know what you mean by "prorating."

The CHAIRMAN. And the Steel Co., instead of getting one-eleventh of the charge gets one-half of it. Have you examined into those practices, and have you any data in regard to that?

Mr. SMITH. I do not think we have specifically taken that up. Probably some of the other data on rates would cover something of that sort. I do not think we have given specific attention to it.

The CHAIRMAN. I do not mean to pursue this inquiry further, but I believe, Mr. Sterling, that we can proceed for some time without duplicating the work of the Commissioner of Corporations.

Mr. STERLING. That is what I meant. Whatever information we are to get from the bureau we will get in due time. It is not worth our while to go ahead and duplicate it at the present time.

Mr. SMITH. May I add that I am quite sure, as Congressman Sterling has said, that it is the intention of the President, and certainly of the department, to present this to you just as soon as we get it in intelligent shape.

Mr. LINDABURY. I want to answer Judge Danforth further. I understand that this information given to the commissioner was given from time to time and given from various points—not all at once—and much of it, I take it, did not go through the Steel Corporation proper.

Mr. SMITH. I guess that quite a little of it came from the subsidiaries.

Mr. LINDABURY. It would be very difficult, I imagine, to find out by any inquiry exactly what was given to the commissioner at all times. I do not know whether it is the desire of the committee that I undertake it——

Mr. SMITH. A good deal came right from the home office.

The CHAIRMAN. What I said was not in criticism, because I concur most heartily in Judge Sterling's suggestion, and I believe it would be wise, and I think it would be the purpose of this committee, that pending the furnishing of this information we should pursue our hearings along lines divergent from the lines of the inquiry of the Bureau of Corporations.

Mr. LITTLETON. Mr. Chairman, I offer as part of the record the "Summary of Report of the Commissioner of Corporations on the Steel Industry; Part I, Organization, Investment, Profits, and Position of United States Steel Corporation," dated July 1, 1911.

Mr. LINDABURY. I object to it as evidential.

Mr. SMITH. Oh, do not.

The CHAIRMAN. You offer it as an exhibit?
Mr. LITTLETON. Yes.
The CHAIRMAN. Very well.
(The "Summary of Report" above referred to appears at the end of this hearing.)

(The committee thereupon took a recess until 2.05 o'clock p. m.)

AFTER RECESS.

At the expiration of the recess the committee resumed its session.

STATEMENT OF MR. HERBERT KNOX SMITH—Continued.

The CHAIRMAN. Mr. Smith, I call your attention to page 6 of the report.
Mr. SMITH. Of the report itself?
The CHAIRMAN. Yes; of the report itself. On page 6, I see this statement:

> The consolidation of wire interests is a conspicuous illustration of the great inflation of capitalization thus brought about. In the organization of the American Steel & Wire Co. of Illinois, in March, 1898, each $100 of the stock of the Consolidated Steel & Wire Co., one of the constituent concerns (and itself a consolidation of seven plants) received $175 of preferred stock and $175 in common stock of the new company, or $350 of new securities for every $100 of old. Undoubtedly the stock of the Consolidated Steel & Wire Co. was worth considerably more than par from the standpoint of earnings. A few months later each $100 of the preferred stock of the American Steel & Wire Co. of Illinois received $100 in preferred stock and $60 in common stock of the American Steel & Wire Co. of New Jersey, while each $100 of the Illinois company's common stock received $120 in common stock of the new concern. Thus each $100 stock of the old consolidated company became $490 in the stock of the New Jersey concern. (Still later, in the merger of the American Steel & Wire Co. of New Jersey into the United States Steel Corporation, there was some further increase.)

This American Steel & Wire Co. of New Jersey is the company that has been indicted?
Mr. LINDABURY. No.
Mr. SMITH. I do not know about it.
The CHAIRMAN. That is the company that the papers referred to as having been indicted?
Mr. SMITH. I do not remember whether that was the company or not.
Mr. LINDABURY. There has been no indictment.
The CHAIRMAN. There has been no indictment?
Mr. LINDABURY. No. Some of its officers have been indicted. The corporation has not.
The CHAIRMAN. The corporation, as such, has not been indicted?
Mr. LINDABURY. No.
The CHAIRMAN. I see. This is a physical valuation, is it, Mr. Smith?
Mr. SMITH. I do not believe we give the valuation here, do we, Mr. Chairman? We simply give the amount of stock which $100 of the old consolidated finally got when it became part of the New Jersey concern. We did not attempt to give a valuation here.
The CHAIRMAN. Upon what do you base the valuation of that stock?

Mr. SMITH. We do not value it here. Later on we value the American Steel & Wire Co.'s properties, but here we do not value it at all. We simply figure out the amount of stock that was issued, starting with the Consolidated Steel & Wire Co.

The CHAIRMAN. Was there any addition to the tangible values of the American Steel & Wire Co. of Illinois between March, 1898, when the stock was at $100, and the time of its incorporation as the American Steel & Wire Co. of New Jersey?

Mr. SMITH. I do not even know whether we have information as to any additional value there. I do not know about it.

The CHAIRMAN. I will ask you to examine that paragraph and see if this increase in stock was not an increase simply by consolidation, and not an increase by the acquirement of new properties. Just examine the paragraph. That is the statement, as I understand it.

Mr. LINDABURY. Does it not speak for itself, Mr. Chairman?

The CHAIRMAN. I think so.

Mr. SMITH. I do not think it says anything——

The CHAIRMAN. That is my understanding of the paragraph, that, by the successive mergers, the value of the stock or the capitalization of this same concern, by a process of rolling over and changing its name, increased from $100 to $490 a share?

Mr. SMITH. That seems to be the implication of the paragraph; yes.

The CHAIRMAN. You say there was some increase when it became the American Steel & Wire Co. of New Jersey, a constituent company of the United States Steel Corporation?

Mr. SMITH. That is not exactly correct, Mr. Chairman. I say that when the American Steel & Wire went into the Steel Corporation there was a slight further increase.

Mr. LINDABURY. That is, they gave a little more than the $490 per share. That is what it means, Mr. Stanley.

The CHAIRMAN. This increase was an increase from $89,899,300 to $113,526,430?

Mr. SMITH. I do not remember the figures. That sounds about correct.

The CHAIRMAN. I say, these are the figures made by the expert, Mr. MacRae.

Mr. SMITH. I do not know.

Mr. LINDABURY. They speak for themselves, do they not?

The CHAIRMAN. It is signed by Mr. MacRae. That would be an increase of 26 per cent. Then, if Mr. MacRae's figures are correct, following your figures up, each $100 of the Consolidated Steel & Wire Co. in March, 1898, became $617 in the American Steel & Wire Co. of New Jersey, did it not?

Mr. SMITH. I do not know. It is a matter of figures, and I should have to work it out.

The CHAIRMAN. It would be 26 per cent of $89,000,000?

Mr. SMITH. Whatever it is.

The CHAIRMAN. If those figures are correct, that is the case?

Mr. LINDABURY. No; 26 per cent would not bring that result, Mr. Chairman. Twenty-six per cent of that would not be anything like as much as the figures you mention.

The CHAIRMAN. I mean 126 per cent.

Mr. SMITH. He has probably figured it out. I have not done so.

Mr. GARDNER. Do you remember what each $100 of the stock of the Consolidated Steel & Wire Co. was selling for in March, 1898, when it received $175 preferred and $175 common of the new company? Do you remember what it was selling for in the market?

Mr. SMITH. I do not think I do, at all. I do not think I remember the figures. We probably have the information, and I could probably ascertain it. I do not remember now. It was above par, I am pretty sure.

The CHAIRMAN. I will ask you if the stock of the American Steel & Wire Co. of Illinois just prior to 1898 was not selling for about 40 cents on the dollar?

Mr. SMITH. I do not know what the price was.

The CHAIRMAN. And if it is not now selling for $1,400 a share?

Mr. SMITH. I do not know the figures.

The CHAIRMAN. Well, that is the fact.

Mr. SMITH. Your question was directed to the Consolidated, however.

Mr. GARDNER. I notice that this one to which you allude, page 6, the Consolidated Steel & Wire Co., received $350 in new securities for $100 in old. Then you add this clause:

> Undoubtedly the stock of the Consolidated Steel & Wire Co. was worth considerably more than par from the standpoint of earnings.

Mr. SMITH. Yes.

Mr. GARDNER. I wanted to know from the standpoint of its market price.

Mr. SMITH. It is simply based on that statement. I have the recollection that it was above par considerably. I do not know what the figure was. That is in relation to the Consolidated.

Mr. LINDABURY. I would suggest to the committee that these values and these figures could be gotten and used much more serviceably if they were tabulated by your expert or by somebody.

The CHAIRMAN. These are just copied from the books of the company.

Mr. LINDABURY. If you had a column showing the market quotations at the time, it would be in usable shape, it seems to me.

The CHAIRMAN. These are figures that were copied to show the valuations at the time of the consolidation.

Mr. SMITH. We do have, on page 20, the average market price of the stock of the constituent companies from 1899 to 1900, and the average market price of the preferred stock of the American Steel & Wire during that period was $89.41; and of the common, $48.26.

The CHAIRMAN. What I am trying to get at is this: Between the time that the Consolidated Steel & Wire Co. capitalized at $100 a share and the time it became the American Steel & Wire Co. of New Jersey there was no increase in the tangible assets of the company; that is, there were no new blast furnaces and no new properties?

Mr. SMITH. My impression is that we have some information on that. I am not sure about it. If we have, it will appear.

The CHAIRMAN. You say here:

> Thus each $100 stock of the old Consolidated Co. became $490 in the stock of the New Jersey concern.

Did it become $490 of the stock because of the increase of tangible assets, the purchase of ores, or the construction of plants, or by the effect of this process of consolidation and exchanges of stock?

Mr. SMITH. Simply by exchanges of stock and readjustment of capitalization.

The CHAIRMAN. The same process was repeated when they became the American Steel & Wire Co. of New Jersey. Then, if that is the case, this $100 of stock became by this process ultimately $617 of stock?

Mr. SMITH. That last figure I do not know anything about, but the $490 I do know about.

The CHAIRMAN. From your figures, leaving out the $617, the value of this stock, estimated and judging it by the par value of the Consolidated Steel & Wire Co., was $18,400,000, was it not?

Mr. SMITH. I could not verify that figure offhand.

The CHAIRMAN. You can verify it from your figures there. All you have to do is to divide one into the other.

Mr. SMITH. It is rather a complex division, because there are two classes of stocks here.

The CHAIRMAN. No; if it was $100 of stock in the beginning and became $640 of stock, all you have to do is to divide $640 into the total capitalization.

Mr. SMITH. The exchanges were at different ratios.

The CHAIRMAN (continuing). Into the $89,899,000.

Mr. SMITH. I am not clear enough on that calculation to want to say offhand what the result would be.

The CHAIRMAN. It is simply a matter of division.

Mr. SMITH. If that is so, then it is very easy to make, of course.

Mr. LINDABURY. Do I understand the witness to say that there were no additions to the property during this time?

Mr. SMITH. I did not say that. I said there was none stated here.

The CHAIRMAN. They state here that they did it by simply turning them over.

Mr. LINDABURY. He does not say that.

The CHAIRMAN. I beg leave to differ with the gentleman. I may be mistaken, but the commissioner and I agree that these figures as to the value of the stock of the Consolidated Steel & Wire Co. from $100 per share to $490 per share resulted simply from the exchanges of the stock. The Consolidated Steel & Wire Co., with its constituent concerns—seven plants—became the American Steel & Wire Co. of Illinois. They issued for $100 of stock the $175 of preferred and the $175 of common. Then this company became the American Steel & Wire Co. of New Jersey, and each $100 of Illinois stock received $120 in common, and so on.

Then he says, with these subsequent changes of stock:

Each $100 stock of the old Consolidated Co. became $490 in the stock of the New Jersey concern.

That is Mr. Smith's statement?

Mr. LINDABURY. No, no.

The CHAIRMAN. I think it is.

Mr. SMITH. If you will allow me, Mr. Chairman, I think it is quite possible that in my answer a minute or two ago I made, unintentionally, a misstatement, or what may be considered as such.

What I meant to say was that, so far as the matter is stated here, the increase from $100 in the original concern to $490 in the American Steel & Wire Co. of New Jersey appears as the result of readjustment of the capitalization and exchange of securities; but I did not make any statement there, one way or the other, as to whether there were additional assets added, because that I do not know anything about.

The CHAIRMAN. The inference, as you say, from this paragraph, is that there was not.

Mr. SMITH. Perhaps I ought to retract that. I do not know what the inference is. Of course it speaks for itself.

The CHAIRMAN. Let me see if I understand. What you said is that the Consolidated Steel & Wire Co. became the American Steel & Wire Co. of Illinois. Was that the first consolidation?

Mr. SMITH. Yes.

The CHAIRMAN. Then the American Steel & Wire Co. of Illinois became the American Steel & Wire Co. of New Jersey?

Mr. SMITH. Yes.

The CHAIRMAN. Then the American Steel & Wire Co. of New Jersey became a constituent company of the United States Steel Corporation?

Mr. SMITH. Yes.

The CHAIRMAN. With each change in name there was an exchange in securities?

Mr. SMITH. Yes.

The CHAIRMAN. They had the same plants, practically, in both cases, and the same incorporators; but they changed the name and they increased the issue of stocks. Is not that what they did there?

Mr. SMITH. We do not say whether they added new plants or not; but we do say on page 6, here:

> **The consolidation of wire interests is a conspicuous illustration of the great inflation of capitalization thus brought about.**

Then we go on with the rest of the statement that you read. That obviously means that, in our opinion, the capitalization was inflated more than the assets were increased.

The CHAIRMAN. Of course.

Mr. SMITH. Whether they did actually add any assets or not, we do not say.

The CHAIRMAN. Do you know?

Mr. SMITH. I do not know, now. I think we do have information upon it.

The CHAIRMAN. Did you mean for the reader to infer that there were no additions to the principal assets of that company?

Mr. SMITH. We did not make any implication of that sort. We simply said that this was an example of inflation.

The CHAIRMAN. Mr. Smith, if they had added 175 per cent to their tangible assets; that is, if they had bought 175 per cent more of ores and blast furnaces and rolling mills, and then in this next conversion, if they had added the difference between 175 per cent and 350 per cent of the original amount in other tangible and additional assets, for which they paid good, hard money, then this would not have been an example of stock inflation at all, would it?

Mr. SMITH. Precisely. Our implication there is this: That while there may have been or may not have been an addition of assets, there was a far greater addition of stock.

The CHAIRMAN. Exactly.

Mr. SMITH. That is it.

The CHAIRMAN. This company, then, according to your figures—and I hope you will verify them, because it does not matter which one you take—this company, you remember, as stated in your report, had a stock value of $50,000,000 common and $40,000,000 preferred, or $40.000,000 common and $50,000,000 preferred: I wish you would look at the report and see.

Mr. SMITH. The preferred stock of the American Steel & Wire was $40,000,000.

The CHAIRMAN. And the common was what?

Mr. SMITH. Let me see. I do not know that that is stated.

The CHAIRMAN. You state it in the first——

Mr. SMITH. The amount acquired by the United States Steel Corporation, which I take to be practically all, was $49,981,400 of the common stock.

The CHAIRMAN. And $50,000,000 of the other?

Mr. SMITH. And they acquired $39,999,000 of the preferred.

The CHAIRMAN. Those sums give $89,899,300?

Mr. SMITH. Not quite that.

The CHAIRMAN. If you will add them, you will see.

Mr. SMITH. They give $89,980,400.

The CHAIRMAN. Each $100 of stock, according to that statement on page 16, became $490 of stock.

Mr. SMITH. Each $100 of the Consolidated?

The CHAIRMAN. Yes; became $490 of the American Steel & Wire?

Mr. SMITH. Yes.

The CHAIRMAN. Then, according to your figures here, if the $100 of stock represented the actual value of the concern at the beginning, the actual value did not change by the stock inflation? The actual tangible value did not change?

Mr. SMITH. I do not know whether there was any change or not in that.

The CHAIRMAN. If there was not, the actual value at the beginning and afterwards, if this was a mere stock inflation, was bound to be $18,000,000, was it not?

Mr. SMITH. You are dividing $89,000,000 by $490?

The CHAIRMAN. Yes; you can make the calculation.

Mr. SMITH. If you can divide that way; yes.

The CHAIRMAN. That is the way to divide, is it not, to find out what it was actually worth, if there was no increase in tangible value?

Mr. SMITH. You see the American Steel & Wire Co. of New Jersey took in a number of other concerns besides the Consolidated.

The CHAIRMAN. Here is what I am trying to get at: If they did not increase the tangible value, and $100 represented the actual value of the Consolidated Steel & Wire Co., and this was simply a matter of stock inflation, its tangible value was not increased by this dickering of the stocks, was it?

Mr. SMITH. If they did not do anything, no; of course not; the tangible value was not increased.

The CHAIRMAN. If they did not do anything, then when you get a statement of the total amount of their stocks, $89,000,000, the way to find the actual tangible value would be to divide $490 into the $89,000,000, would it not?

Mr. SMITH. No; it seems to me not; because that $89,000,000 is made up of other concerns that also went into that company.

The CHAIRMAN. But you do not say that?

Mr. SMITH. Oh, yes; we do. We say:

In the organization of the American Steel & Wire Co. of Illinois, in March, 1908, each $100 of the stock of the Consolidated Steel & Wire Co., one of the constituent concerns—

We do not say it was all of them. It was not all of them, I presume. That is the difficulty with that calculation.

The CHAIRMAN. Is there any statement here of any other concerns coming in?

Mr. SMITH. We did not state them.

Mr. LINDABURY. You have it in the record here, as to 30 other concerns that came in.

The CHAIRMAN. In the record?

Mr. LINDABURY. Yes.

The CHAIRMAN. In what record?

Mr. LINDABURY. In this record here. The American Steel & Wire Co. was made up of 30 concerns.

Mr. SMITH. At page 13 is a list of other constituent companies.

Mr. LINDABURY. I think it is 30. It is about that.

Mr. SMITH. So that it is not safe to divide in that way.

I did not quite get your point at first, Mr. Chairman, and that is the reason I was perhaps a little bit obtuse in explaining the situation.

The CHAIRMAN. I see, at page 19, you estimate the value of the American Steel & Wire Co. of New Jersey at $40,000,000?

Mr. SMITH. Yes.

The CHAIRMAN. That is in tangible assets—its actual value?

Mr. SMITH. Yes.

The CHAIRMAN. Do you mean to say that there was the difference between $18,000,000, the real value of the Consolidated Steel & Wire Co., and $40,000,000 added in this process of stock inflation?

Mr. SMITH. There were a number of other concerns that went into the American Steel & Wire Co. besides the Consolidated.

The CHAIRMAN. Let us take that table.

Mr. SMITH. The table opposite page 13, at the head of the second column?

The CHAIRMAN. Yes.

Mr. SMITH. There are six companies that went into the American Steel & Wire Co. besides the Consolidated.

The CHAIRMAN. You make a statement, for instance, as to the American Steel & Wire Co. of New Jersey and place that at $40,000,000. Have you any data showing the actual value of the constituent concerns that went into this American Steel & Wire Co. of New Jersey?

Mr. SMITH. I think we have some.

The CHAIRMAN. Is that made up of the sum total?

Mr. SMITH. I think so.

The CHAIRMAN. I hope you will make a memorandum here, with the consent of the President, to furnish this committee with a statement of the actual value placed upon the cost of construction, physical valuation, of each one of the properties of the various concerns in that table.

Mr. SMITH. In the New Jersey company?

The CHAIRMAN. In all of these companies—the American Bridge Co. and——

Mr. SMITH. I do not think we have——

The CHAIRMAN. As many of them as you have.

Mr. SMITH. Of the property?

The CHAIRMAN. Yes. You make one estimate on the physical valuation of each one of these companies.

Mr. SMITH. I am sure we have not, in the case of a great many of them, anything approaching it at all.

The CHAIRMAN. Now, the Carnegie Steel Co. That company is valued at $160,000,000?

Mr. SMITH. Yes.

The CHAIRMAN. Is it not a fact that at the time the Carnegie Steel Co. was absorbed by the United States Steel Corporation there was a statement issued to the directors and stockholders—the directors, at least, the governing powers of the Carnegie Steel Co.—that the value of the tangible asets of the Carnegie Steel Co., including plants and all equities in those plants, was $81,000,000?

Mr. SMITH. We have on pages 16 and 17 this statement—beginning at the botom of page 16:

> The book value of the property of the old Carnegie Steel Co. (Ltd.) (which had approximately a 29½ per cent interest in the H. C. Frick Coke Co.) on March 1, 1900, or just before these two concerns were transferred to the Carnegie Co. of New Jersey, was, roughly, $81,500,000.

The CHAIRMAN. That is what I am talking about.

Mr. SMITH. That is the book value given of the old Carnegie Steel Co.

The CHAIRMAN. Did not that include all equities and everything of value that they could put down on the books?

Mr. SMITH. I could not answer that. I presume it did.

Mr. GARDNER. Just read the next sentence.

Mr. SMITH (reading):

> This book value, while correct for some of the properties of the company, undoubtedly understated the value of others, particularly the item of "investments."

My answer meant, of course, that they had it all in; but as we have said here, we are not satisfied with the valuations they put on it.

The CHAIRMAN. You think in their book values they undervalued their own properties?

Mr. SMITH. Some of them; yes.

The CHAIRMAN. Gayley, Carnegie, and others, in December, 1899, stated that the entire book value of all these properties and equities and everything considered, liberally estimated, was $56,000,000 in round numbers, did they not?

Mr. SMITH. Those were the affidavits in the Frick suit?

The CHAIRMAN. Yes.

Mr. SMITH. We have those affidavits; yes.

The CHAIRMAN. I asked Mr. Gayley about those and, although he was vice president of the company, I believe, he could not recall any improvements of sufficient importance to impress his memory between that time—December, 1899—and April 1, 1901, when this company was absorbed by the United States Steel Corporation.

Mr. SMITH. There was one very important improvement, of course, and that was the addition of the other 71½ per cent of the Frick Coke Co.

The CHAIRMAN. The Frick Coke Co. was a part of the Carnegie Steel Co. at that time?

Mr. SMITH. The Carnegie Steel Co., as I said here, held 29½ per cent interest in the H. C. Frick Coke Co., when that sheet was made up.

The CHAIRMAN. Making it $81,000,000?

Mr. SMITH. They made it $81,000,000.

The CHAIRMAN. How do you reconcile the sworn statements of Frick, Carnegie, Gayley, and all the rest of them, of a book valuation of $56,000,000, if there was actually a book valuation of $81,000,000?

Mr. SMITH. I certainly do not attempt to reconcile them.

Mr. LINDABURY. That has been explained a great many times.

Mr. SMITH. The reasons for that are very clear.

The CHAIRMAN. How do they explain it?

Mr. LINDABURY. Judge Gary explained it, and Mr. Gayley did too, I think.

The CHAIRMAN. I listened for an explanation.

Mr. SMITH. Those affidavits are ex parte statements made for a particular purpose.

The CHAIRMAN. They were sworn to as the truth.

Mr. SMITH. Oh, yes; but there are lots of other things of that kind that are not true.

The CHAIRMAN. Yes; but I would hesitate to accuse these great financiers——

Mr. SMITH. I know; it is very painful.

The CHAIRMAN. Now, then, taking $56,000,000 as correct, as far as that property was concerned, you say the Frick property was added subsequently?

Mr. LINDABURY. In regard to that matter, is not this the explanation they have been making about that: This book value was a book value to be made up, or made up in a certain way, according to their fundamental agreement. It was not a book value as we understand it, or as investors understand it.

The CHAIRMAN. It was what each man's estate was to receive if he died?

Mr. LINDABURY. Yes; but, nevertheless, it was arrived at in a particular way, and prescribed in the fundamental agreement, which gave a value far less than the real value. That is the explanation, as I recollect it.

The CHAIRMAN. That was exactly the thing they swore was not true. That was the position Mr. Frick took, and they swore that Mr. Frick was wrong; that he was getting all he was entitled to by every rule of equity and justice.

Mr. LINDABURY. Nevertheless, they settled on a basis of about three times that figure. They settled that litigation upon a basis of that being worth three times what those affidavits said.

The CHAIRMAN. What did you value the Frick properties at?

Mr. SMITH. We have not valued them in here. I have forgotten what the capitalization was. If we have valued them in here I think it was a figure of about $50,000,000. The report speaks for itself. That is my impression, offhand.

The CHAIRMAN. Take $50,000,000 and add it to $81,000,000 and you would have $131,000,000. How do you reach $160,000,000?

Mr. SMITH. As we have stated here, we do not regard that $81,000,00 as an adequate estimate of the real value of the property at that time.

The CHAIRMAN. On page 7 of your report——

Mr. SMITH. Mr. Chairman, may I interrupt? I am not sure about that Frick amount. It might have been $50,000,000. That is simply my best remembrance. I am not at all sure of it.

The CHAIRMAN. I am not positive either, and I have not that petition here.

Mr. SMITH. Do not lay it up against me if that is wrong.

The CHAIRMAN. I understand that you are stating what you think is right.

Mr. SMITH. That is the best I can do.

The CHAIRMAN. Neither of us has any reason to make a statement that is not correct.

Mr. SMITH. I do not like to put myself on record as to a figure which may be wrong.

The CHAIRMAN. My recollection is, although it may be faulty, that the Frick property, at the time of this suit between H. C. Frick and the Carnegie people, was included in the property in litigation. Do you know about that? I think they took over the H. C. Frick Co., and that became the Carnegie Steel Co. (Ltd), and the Carnegie Steel Co. (Ltd.) was the company which engaged in this litigation. I think the Frick coal properties were in at that time.

Mr. SMITH. It is evidently quite clear from that that all this Carnegie Steel Co. (Ltd.) owned was a 29½ per cent interest in the Frick Co.

Mr. LINDABURY. That is my recollection.

Mr. SMITH. They owned less than one-third—a good deal.

The CHAIRMAN. Whatever they were, they were in at the time of this litigation?

Mr. LINDABURY. To that extent. Afterwards they got it all.

Mr. SMITH. Yes.

The CHAIRMAN. It would be 29 per cent off of that $50,000,000? It would make it——

Mr. SMITH. There were some additions between that date and the time it went into the Steel Corporation.

The CHAIRMAN. On page vii of your report I see this:

> In July, 1902, in defending its capitalization, the corporation itself made an estimate similarly classified.

This is your physical valuation?

Mr. SMITH. Yes; that is our physical valuation.

The CHAIRMAN. The manufacturing properties, including blast furnaces, $250,000,000?

Mr. SMITH. Yes.

The CHAIRMAN. At what time was that valuation made?

Mr. SMITH. That is as of 1901.

The CHAIRMAN. In 1901 the physical valuation of their properties was $250,000,000?

Mr. SMITH. The manufacturing properties, including blast furnaces.

The CHAIRMAN. I find the bureau's estimate, on page 23, of the investment of constituent companies of the United States Steel Corporation in manufacturing plants (including blast furnaces) and real estate at the dates of their respective organizations. In one column you have their preferred stock, and in another column their current assets at organization, and in the third the physical valuation of the property. Is that correct?

Mr. SMITH. Yes.

The CHAIRMAN. There you value those same properties at $196,654,000?

Mr. SMITH. That is correct. That is the value at the date of their respective organizations.

The CHAIRMAN. That is at the date of their organizations?

Mr. SMITH. Yes.

The CHAIRMAN. These two valuations appear to me to be found at the same time and on the same basis, but you do not get the same amount?

Mr. SMITH. They are not found at the same time. The first one, at page 23, is as of the date of the organization of the constituent concerns.

The CHAIRMAN. Yes.

Mr. SMITH. And the second one, at page 26, is at the date of the organization of the Steel Corporation.

The CHAIRMAN. How long was it between the time the constituent concerns were organized and the time the Steel Corporation was organized?

Mr. SMITH. It differs with the different concerns. With the Federal Steel Co., I think it was three years. It depends upon the different concerns.

Mr. LINDABURY. It runs from 1898 to 1901.

The CHAIRMAN. It was the latter part of 1898 before there was a complete organization of these constituent concerns, was it not?

Mr. SMITH. Some of them did not get organized at that time. I can not give the dates offhand.

The CHAIRMAN. It would be safe to say that January 1, 1899, would mark the complete organization of all those concerns?

Mr. SMITH. That would not be an accurate way of stating it. We have to take the additions made to each company since its organization up to the time of the Steel Corporation.

The CHAIRMAN. They always speak of the consolidation as of 1898. We will say April 1, 1898, would be a liberal estimate when they were all organized?

Mr. SMITH. I would not figure it on any such basis. We have to take each concern and the date of its organization and figure the addition since then.

The CHAIRMAN. To what do you attribute the increase in actual value between these concerns? In one case it is $198,000,000 in round numbers, and in the other it is $250,000,000.

Mr. SMITH. Yes.

The CHAIRMAN. How do you account for such an increase in their actual value?

Mr. SMITH. On page 23 we say:

As shown above, the aggregate surplus earnings of all the subsidiaries from the date of their respective organizations to April 1, 1901, were approximately $117,700,000. A part of this was invested in manufacturing properties, and a portion of the original working capital of these concerns was also used for this same purpose. * * * From various data obtained the bureau has concluded that an allowance of $250,000,000 would be sufficient to cover the total investment in these manufacturing properties on April 1, 1901.

In the paragraph below we give some reasons from the Steel Corporation's own estimate why we think that is a correct statement. This difference is due to additions made during the interval, Mr. Chairman.

The CHAIRMAN. Can you furnish this committee, with the consent of the President, with a statement of the value and location of the blast furnaces and the like, the plants having changed value, of these various concerns, between the dates of these two estimates?

Mr. SMITH. I think we have it in some cases. I do not know that we have in all of them. I will see what I have, Mr. Chairman.

The CHAIRMAN. I will ask you, Mr. Commissioner, to turn to that part of your report where you figure the profits of the concern. It is 12 per cent in round numbers.

Mr. SMITH. That is in the latter part. If you want it in the summary it is on page 51. That is where there is the best discussion of it.

Mr. LINDABURY. That is 12 per cent on his valuation, not ours.

Mr. SMITH. Yes. Twelve per cent on our valuation.

The CHAIRMAN. You mean in the latter part of the letter of submittal to the President?

Mr. SMITH. Yes; but the best discussion of it is at page 51.

The CHAIRMAN. I know; but I can follow it better here on page 8.

Mr. SMITH. Page viii of the Roman numerals.

The CHAIRMAN. I find this:

Since its formation the corporation, from surplus earnings—allowing for depreciation and changes in securities—has made good much of the original excess of its capitalization over tangible property.

That is what you would ordinarily call "water," is it not?

Mr. SMITH. I fancy you would, Mr. Chairman.

The CHAIRMAN (continuing reading):

That excess in 1901 was about $700,000,000, or 100 per cent, and in 1910 only about $280,000,000, or 24 per cent. The total tangible value in 1910 was $1,187,000,000.

In other words, according to this calculation, the United States Steel Corporation absorbed, with an actual investment of $700,000,000, $487,000,000 of water, did it not?

Mr. SMITH. Yes; that is the deduction here. They did not absorb it, exactly. They squeezed it out.

Mr. LINDABURY. Instead of absorbing it, they squeezed it out.

Mr. SMITH. Yes. It is the reverse process.

The CHAIRMAN. They sweated it out?

Mr. LINDABURY. You may call it that. It goes out. It does not come in.

The CHAIRMAN. Have you a statement here anywhere of the amount of dividends that they declared?

Mr. SMITH. I do not think we have in here.

The CHAIRMAN. Did they not declare an average of about 7 per cent on their preferred stock?

Mr. SMITH. I should not want to give a statement of dividends, without accurate figures.

Mr. LINDABURY. There is no average. I will state that they have always paid 7 per cent on their preferred stock, which is the charter percentage; and they never have defaulted. The charter provides for 7 per cent dividends on preferred stock, which the company has always paid.

The CHAIRMAN. And they have paid what per cent on their bonds? Five per cent?

Mr. LINDABURY. Yes; their bonds are 5 per cent bonds, except the first issue that Mr. Carnegie took; and I think they are 5. Yes; they are 5, too.

The CHAIRMAN. I am a poor mathematician, but taking $700,000,000 as the capitalization and adding $487,000,000 which was net profits and was used to absorb this excess overcapitalization, or "water" as we commonly call it, the 5 per cent on the bonds, the 7 per cent on their preferred stock, and the per cent on their common stock gives me an amount grossly in excess of an annual profit of 12 per cent. I would like to get the commissioner to state, if he has ever made that calculation, upon what he bases this calculation of 12 per cent profit.

The $700,000,000 concern, according to your statement here, becomes a $1,187,000,000 concern; pays 5 per cent on $320,000,000 of bonds, I think it is; 7 per cent on five hundred and odd million dollars of preferred stock, and 4 or 5 per cent on the common stock; and that amount, according to my calculations—I have not them at hand—amounts to about 28 per cent profit. I will ask the commissioner if he has not time to figure it out now. to do so later, and make that statement for me.

Mr. SMITH. I will see if I can get the question clearly.

The CHAIRMAN. Upon what do you figure the 12 per cent profit?

Mr. SMITH. It is given at page 54. It is figured on our estimate of the total investment in tangible property divided into the annual earnings—earnings as adjusted by the bureau. You will find it on page 54.

The CHAIRMAN. In that statement there, do you figure 12 per cent on the entire capitalization of the concern, water and all?

Mr. SMITH. As we have stated here, it is figured on the total investment in tangible property.

The CHAIRMAN. How much is that?

Mr. SMITH. It varies in different years. It starts with $698,000,000 in 1901, and runs up to $1,186,982,038 in 1910.

The CHAIRMAN. Oh, yes. As they absorb the water you give them——

Mr. SMITH. We give them credit for more, yes. It varies in each year.

The CHAIRMAN. What did you figure in overhead charges?

Mr. SMITH. You mean at what rate?

The CHAIRMAN. What did you figure in overhead charges?

Mr. SMITH. I could not give you the details of that.

The CHAIRMAN. Did you figure the cost of operating the United States Steel Corporation itself as an overhead charge?

Mr. SMITH. That must have come in.

The CHAIRMAN. That is the holding company. Do you consider that as an overhead charge?

Mr. SMITH. That must have come in as one of the charges.

The CHAIRMAN. In your opinion it should be an overhead charge, whether it is or not?

Mr. SMITH. Certainly the cost of the holding company has got to be considered—the operating of the holding company, salaries, and so forth.

Mr. STERLING. When this consolidation was made I think there were nine subsidiary companies that went in to make up the United States Steel Corporation.

Mr. SMITH. Well, there were eight acquired on the 1st of April, and four acquired during 1901, but shortly after that.

Mr. STERLING. I am not sure that I know just how that was accomplished, but I want to see if I am right about it: The United States Steel Corporation simply proposed to take up the stock of the subsidiary companies, and give its stock in exchange, did it not?

Mr. SMITH. I think that is the general understanding of the situation.

Mr. LINDABURY. Save the Carnegie Co. The gave a pretty large amount of bonds.

The CHAIRMAN. And they agreed on the interchangeable value of the two stocks, and the exchange was made on that basis?

Mr. SMITH. That evidently was the course of proceedings. We do not give the basis of exchanges here.

Mr. STERLING. Then this stock of the subsidiary companies became the stock of the United States Steel Corporation?

Mr. SMITH. It became the property of the United States Steel Corporation; yes.

Mr. STERLING. It is never considered when it comes to computing dividends—that stock, as held by the United States Steel Corporation—as the stock of the subsidiary companies? That is never considered when they come to compute dividends, is it?

Mr. SMITH. I do not believe I quite get your question, Judge.

Mr. STERLING. Does the United States Steel Corporation own all the stock of these several companies?

Mr. SMITH. Not all of it. Practically all; but there is a slight amount—I think it is half a million, or something like that—that is outstanding.

Mr. STERLING. That is held by individuals outside?

Mr. SMITH. I think so.

Mr. STERLING. Is this stock of these subsidiary companies in the hands of the United States Steel Corporation?

Mr. SMITH. I suppose it must be; yes. That is what our statement is here—that it was transferred to them.

Mr. STERLING. That stock is not considered when they come to compute dividends? They do not compute dividends on that stock, do they?

Mr. SMITH. You mean the United States Steel Corporation itself?

Mr. STERLING. Yes.

Mr. SMITH. They would compute their dividends on their own stock.

Mr. STERLING. Would the subsidiary companies compute dividends on the stock that they turned over to the United States Steel Corporation?

Mr. SMITH. I presume their method would be—I do not know at all—but my presumption is that they make so much in a year, the subsidiary companies—the American Steel & Wire, say—and then declare a dividend on their stock, and that dividend goes to the holder of the stock, which in that case happens to be the United States Steel Corporation. But I do not know.

Mr. STERLING. That is the point that I am doubtful about.

Mr. SMITH. That may be a pure assumption on my part.

Mr. STERLING. Do not all the benefits of all of these subsidiary companies go into the United States Steel Corporation?

Mr. SMITH. That would be my assumption, yes; except those that belong to the very small amount of outstanding stock.

Mr. LINDABURY. That is right only as they are declared in dividends.

Mr. SMITH. Only as they are declared in dividends.

Mr. GARDNER. The testimony that was given here was to the effect that the subsidary company declared dividends on its earnings, just as if it was an entirely independent company?

Mr. SMITH. Yes.

Mr. GARDNER. And then paid those dividends over to the stockholder, to wit, the United States Steel Corporation, and when it had collected together all the dividends which had been declared on their own stock by the subsidiary companies, they found they had a certain amount available for dividends which they proceeded to divide among the stockholders of the United States Steel Corporation?

Mr. SMITH. That is nothing that we happen to have any information about.

Mr. GARDNER. That is the evidence before this committee, as I recollect it.

Mr. LINDABURY. Mr. MacRae says that is the way the books show it was done.

Mr. MACRAE. Practically, the net income of the subcompanies becomes the gross income of the holding company.

Mr. STERLING. Does not that work an injustice to some of the subsidiary companies in that way? Do not some of them make more money on the capital invested than others, and still only get the same rate of dividend on the stock which they hold? How do they equalize that?

Mr. SMITH. I do not believe I quite understand you. I believe Mr. Lindabury could answer that better.

Mr. LINDABURY. I think I can satisfy you quickly in regard to that. You see, the Steel Corporation is the sole stockholder of the stock of that company. The original stockholder has exchanged his stock for the stock of the Steel Corporation, and therefore he is only interested in such dividends as may be declared by the Steel Corporation to all its stockholders. There is no longer the individual holding of stock in the subsidiary companies which would create the inequality that you speak of. There is, so far as the Steel Corporation has not obtained all of the stock of the subsidiary companies.

Then each outstanding stockholder does get his share of the earnings of the subsidiary company, which in some is larger than it is in others.

Mr. STERLING. Is there much of that stock outstanding?

Mr. LINDABURY. Not much.

Mr. STERLING. The United States Steel Corporation owns the majority in each of the subsidiary corporations?

Mr. LINDABURY. Oh, yes; it owns nearly 100 per cent in most, and perhaps over 95 per cent in all.

Mr. SMITH. I think I can find somewhere here the amount. My impression is that the entire amount outstanding is not over half a million.

Mr. LINDABURY. It is very small.

Mr. SMITH. $580,000, or something like that.

Mr. GARDNER. It is in the annual report.

Mr. LINDABURY. In most cases they own it all.

Mr. SMITH. Yes. I have it, on page 50:

excluding $620,352 par value of stocks of subsidiary companies not held by United States Steel Corporation.

Mr. STERLING. That is, as to all of them?

Mr. SMITH. Apparently. That is the statement here. My belief is that that is about right.

Mr. STERLING. Suppose the United States Steel Corporation should acquire that stock.

Mr. SMITH. That $600,000 worth of stock?

Mr. STERLING. Yes. Suppose it should become the absolute owner of all the stock of all the subsidiary companies. What purpose would there be in maintaining these suborganizations? Why not just eliminate them entirely, and let these different manufacturing concerns and transportation companies turn their earnings right into the United States Steel Corporation as they are acquired, and let them distribute them? Would there be any purpose in the suborganizations, then?

Mr. SMITH. Probably Mr. Lindabury can answer that better than I can.

Mr. LINDABURY. I do not believe I can, but still I will try to answer it. The laws of the different States, in the past at least, have made it of account in very many cases that business done within the State should be done by a corporation of the State. In other words, they require reports and base taxation upon all the business of a corporation doing any business in the State, wheresoever it is done.

I know on that account, years ago, a good many large corporations organized subsidiary corporations in different States, just to do the business that they did in that State, so that they would not have to report to the particular State any business except what they did in the State.

That is one reason. There probably were no others. I know the Steel Corporation has sometimes of late considered the question as to whether or not it would not simply unite all these subsidiaries in one corporation, instead of preserving them as they are now. Of course, if it had that outstanding stock, that would be easier, and perhaps it would have been done already. So far as they own all the stock, the particular subsidiary amounts to nothing more than a department of the corporation.

Mr. SMITH. There might be this further consideration, Mr. Sterling. I think it frequently happens that certain kinds of business or forms of business can not be carried on under certain State laws, except by domestic corporations. I think that is quite true of certain water companies and of railroads in certain States. Would not that be true, Mr. Lindabury?

Mr. LINDABURY. Yes.

Mr. SMITH. So that a New Jersey corporation could not carry on in Pennsylvania a railroad business, for instance, under a New Jersey charter. They would have to maintain their old Pennsylvania charter.

Mr. GARDNER. Mr. Smith, you said that your procedure in investigating the affairs of the United States Steel Corporation was to make a demand on them for certain information, and then send your own men with the information that had been supplied, whether it was transcripts of their minutes, or any other form of information, and verify it by selected items. What did you mean by selected items?

Mr. SMITH. Take, for instance, Congressman, a cost-sheet statement showing the cost of conversion of pig iron into steel ingots and a number of items for given companies—the cost of labor, say, for the year 1902 in a given mill for that conversion; or, if the record came as a consolidated record for the whole company, or for a given company, we would go to that particular record and at random pick out from these cost sheets some item like that, and then go to the original books and see whether they would concur enough times (and we did it a great many times) to make sure that no person could have by any amount of ingenuity fixed their books so as to evade us.

Mr. GARDNER. In other words, you took enough samples to be sure of what the carload contained?

Mr. SMITH. We did.

Mr. GARDNER. Supposing it was a transcript from their records; would you simply sample the records in the same way? I am not speaking now of where figures are involved, but minutes or contracts.

Mr. SMITH. Yes; I do not think we have to do very much of that. My impression is that the vast bulk of the material was accounting material; but I presume, of course, we did verify other records. We must have.

Mr. GARDNER. Have you any suspicion in your mind as to the accuracy and completeness of the information furnished by the Steel Corporation? I will put that first as to the accuracy, and take the completeness as a second question.

Mr. SMITH. Well, I think not.

Mr. GARDNER. That is your answer in regard to the accuracy of the information furnished. Now, have you any suspicion in your mind as to the completeness of the information furnished you by the Steel Corporation? That means, of course, the completeness of the information bearing on the question which you desired to elucidate.

Mr. SMITH. That is, the completeness of the information furnished in response to our request?

Mr. GARDNER. Yes; that is the meaning of my question.

Mr. SMITH. I do not, at present, Congressman, recollect any ground for believing that their answers were not complete, in good faith, in so far as they could give them. However, they pointed out

to us exceptions in a number of instances; for instance, where we asked for the old records of the subcompanies, so to speak, which may have been pretty ancient. They frankly told us that they could not get them. There were instances like that, and instances of uncertainty during the first nine months of their organization. They started, April 1, 1901, and the first few months the comptroller, Mr. Filbert, stated that they were in the "suds," so to speak, and they had not got the thing very well organized, and he had to do a certain amount of guessing at the exact figures. Aside from instances of that sort, I have now no recóllection which would justify me in saying that their answers wer not completely responsive to our questions. That is simply my recollection.

Mr. GARDNER. Could you, without violating the aspect of your duty which appears to you after reading the Attorney General's opinion, send us the dates on which the United States Steel Corporation acknowledged the return of those cost sheets?

Mr. SMITH. I think I can—if they did acknowledge them. I presume they did.

Mr. GARDNER. I ask that question because I had understood from the chairman of this committee that the cost sheets had not been returned. Is not that so, Mr. Chairman?

The CHAIRMAN. They said they had sent those papers to the Department of Commerce and Labor and could not furnish them.

Mr. GARDNER. And that they had not been returned to them?

The CHAIRMAN. They did not say that. They said they had sent them, and could not furnish them for that reason.

Mr. SMITH. I was a little puzzled in the matter.

The CHAIRMAN. I wrote to Mr. Nagle to that effect. Mr. MacRae is here, and he should be able to give us the information.

Mr. LINDABURY. I do not know what passed, but I was told by somebody there that the department had returned them.

The CHAIRMAN. My understanding was that they had not been returned. That statement was not definitely made. I asked for this data, and they said:

That has been furnished to the Department of Commerce and Labor.

Mr. SMITH. That is true; they did furnish it, but we sent it back.

Mr. MCGILLICUDDY. Have you not a receipt for the return of all those documents?

Mr. SMITH. I do not know whether we have the formal receipt or not. I presume we have an acknowledgment of them. I have letterpress copies of my letters sending them, at least.

Mr. MCGILLICUDDY. Those letterpress copies will tell what papers you sent back?

Mr. SMITH. Yes. It is entirely possible that something may have stuck in our files.

The CHAIRMAN. I asked them for all the data that they had furnished to the Department of Commerce and Labor, and my understanding was that that data was in the possession of the Department of Commerce and Labor.

Mr. SMITH. That is certainly a misunderstanding.

Mr. LINDABURY. I can not bear you out in that. I do not remember it.

The CHAIRMAN. That was my impression. I was under the impression that, having furnished it to the Department of Commerce

and Labor, one department of the Government, they would not hesitate to furnish it to another department; and I came to the conclusion that the United States Steel Corporation, having been so courteous and kind—and I appreciate that courtesy—in offering voluntarily to furnish us anything we wanted, would not have refused the Federal Congress information which they gave to a department except for the fact that they did not have it. I may have been mistaken, the mistake arising from my vanity, perhaps, in hugging the delusion that the United States Steel Corporation would take this committee into its confidence to the same extent that it had the Bureau of Commerce and Labor.

Mr. LINDABURY. I think the Chairman is in error in this: Everything that we furnished the department, the department still has, as I understand it, except the cost sheets.

Mr. SMITH. Yes.

Mr. LINDABURY (continuing). Which I have been informed were returned. But I was not willing to produce the cost sheets until I had had a conference with the committee, and some arrangement of the kind I alluded to this morning could be made as to the use to be made of them.

Mr. SMITH. We do not claim to have returned anything except the cost sheets.

The CHAIRMAN. Mr. MacRae is here, and I will call him to give us the information, if you say so.

Mr. LINDABURY. No. Let us wait. You are going to have an executive session later, and I want to get away as soon as possible this afternoon.

The CHAIRMAN. If Mr. Gardner prefers we can take that matter up. I think it would be better, however, to take it up later in executive session.

Mr. GARDNER. My suggestion is that we should have the dates of the acknowledgment of the return of the cost sheets.

Mr. SMITH. Or the letters that transmitted them, if we have not the acknowledgment.

Mr. GARDNER. Yes; in the absence of the acknowledgment. The acknowledgment is better, because it shows that the papers have been through their hands.

Now, on page ix, Roman numerals, of your letter of submittal, you have a subdivision called "Position in the industry."

And in the third paragraph of that subdivision appears this sentence:

> In short, speaking broadly, as against 60 per cent of all crude and finished steel production in 1901, the corporation now has not much over 50 per cent, indicating conclusively the continuous presence of strong and increasing independent production.

Do the figures on which you base those conclusions include the production of steel for export as well as for the domestic trade of the United States Steel Corporation?

Mr. SMITH. I am frank to say I do not know. I do not know for sure. I think they do include the export.

Mr. LINDABURY. I think that is a mistake.

Mr. SMITH. You think that is a mistake?

Mr. LINDABURY. I think the commissioner had the same table that was put in evidence here, you remember, and it appears by that that these figures excluded the exports.

Mr. GARDNER. That is the reason I asked the question. My impression is that the evidence given here—and I remembered substantially those figures—was that the steel made by the United States Steel Corporation for export was not included in the estimate of their position in the steel industry.

Mr. SMITH. Frankly, I do not remember what was the fact there.

Mr. STERLING. That does not indicate that the production of steel by the United States Steel Corporation has grown less?

Mr. SMITH. Not the absolute production; no.

Mr. STERLING. It means that independent production has grown more rapidly than the United States Steel Corporation production?

Mr. GARDNER. On the other hand, it is important in estimating the position of the United States Steel Corporation in the industry and in endeavoring to find out whether it has a relatively greater importance than it had in 1901, to include those figures as to its foreign production. Leaving out those figures indicates a less commanding position in the industry for the United States Steel Corporation than, it seems to me, the corporation possesses.

Mr. SMITH. I think, Congressman, if that is true, and those figures of export production do not appear, that they ought to be in the full report, if we can get them.

Mr. GARDNER. It seems to me so.

Mr. SMITH. I think that is a very good suggestion.

Mr. STERLING. They are in evidence, you know, Mr. Gardner.

The CHAIRMAN. In that connection, I would suggest that you include in that memorandum information as to what extent the independent companies and to what extent the United States Steel Corporation is working to its full capacity.

Mr. SMITH. I do not know whether we could do that or not. I doubt if I could get anything like that.

The CHAIRMAN. I think you will find from that data——

Mr. SMITH. I do not think our data would show the time run. I do not believe it would.

The CHAIRMAN. Have you none of those contracts between these companies——

Mr. SMITH. I doubt if we have.

The CHAIRMAN. Providing that they shall not work to their full capacity?

Mr. SMITH. We may have. I do not recall anything like that.

The CHAIRMAN. Please make a note of that.

Mr. SMITH. I will.

Mr. GARDNER. On page 14 of the summary itself, in a paragraph which begins:

> The third and most important of these acquisitions—

The last sentence of that paragraph reads as follows:

> the purchase of this concern, which was made in the height of the panic of 1907, had been preceded by unsuccessful attempts on the part of other interests to use it as a basis of a rival consolidation, which would also include the Sloss-Sheffield Steel & Iron Co. and the Republic Iron & Steel Co.

Have you any knowledge other than that which comes to you as Commissioner of Corporations as to who were the persons who tried to make that consolidation?

Mr. SMITH. No; the only information I have had has come to me there in the office.

Mr. GARDNER. And therefore you are not at liberty to release it?

Mr. SMITH. I am not able to give that.

Mr. GARDNER. Mr. Stanley touched one of the questions under the head of the profits of the Steel Corporation where I confess I have been of his opinion. I could see on the one hand, by consulting page 51, that you must have arrived at the earnings of the corporation entirely apart from what dividends they might pay; and yet, without going into an elaborate calculation, it had seemed to me that if through earnings, or through the prices of their ore lands, or in any other way, they had absorbed $400,000,000 worth of water, and had still paid an occasional dividend on the common stock, and 7 per cent on the preferred stock and 7 per cent on the bonds, the average would come out higher than 12 per cent on their total investment of, roughly, $700,000,000; but I take it from your answer to Mr. Stanley that you arrived at their earnings entirely independently of what they paid out in dividends?

Mr. SMITH. Yes; entirely. You will note on page 53 the total adjusted earnings—the last column.

Mr. GARDNER. Yes; I know.

Mr. SMITH. It is a pretty large sum. I appreciate, naturally, the point Mr. Stanley makes there.

Mr. GARDNER. I have no doubt whatever that your figures are correct.

Mr. SMITH. On page 53 you see their adjusted earnings given as $1,100,350,857 in 10 years.

The CHAIRMAN. My question, as you see, was due to a desire for an explanation of the apparent inconsistency, rather than to try to show that the figures were incorrect.

Mr. SMITH. Yes. That is a very proper question. If it is not made clear it should be made clear.

Mr. GARDNER. Of course, you can not calculate that because they have absorbed $400,000,000 worth of "water," therefore they must have done it out of earnings?

Mr. SMITH. Not necessarily.

Mr. GARDNER. They have very likely done it out of appreciation, or that which a great many people call the depreciation of gold, which some people would call unearned increment, whereas other people would claim that the increment was not unearned, but that it was a difference in the measurement of the yardstick.

There are one or two general questions which doubtless apply as much to any other corporation as they do to the United States Steel Corporation, in looking for remedies, if we discover evils, and you are just the man who can give the information, although it may not be pertinent. In the first place, at the top of page 43, you have this sentence:

> The corporation very properly computes its depreciation charges (including exhaustion)—

And, I suppose, obsolescence?

Mr. SMITH. Yes.

Mr. GARDNER (continuing reading):

> on the original cost or investment in the various properties to the constituent concerns and not on the replacement cost (either actually incurred or anticipated).

In getting the original investment I can see how that is perfectly sound. But it seems to me, for example, that if ore lands, we will say, have gone up from $200 to $2,000 an acre, and they are only to charge off my depreciation on a percentage of $200 at the end of a period of years, I should have destroyed a large part of my capital.

Mr. SMITH. I have had one or two discussions on that point, entirely outside of the work of the bureau, with quite eminent accountants, and they have differed on that point; but the concurrence of opinion among the best ones has been that the correct theory was to calculate depreciation on the original investment and not on anticipated cost of new.

Mr. GARDNER. Cost of replacement?

Mr. SMITH. Cost of replacement; yes.

Mr. GARDNER. That presupposes a wasting of your capital, however; that is, if you pay your profit out of depreciation?

Mr. SMITH. I am not enough of an accountant to justify an offhand statement in regard to that; but, as I recollect the argument, it was that they had simply put that much money in the original investment; that if they attempted to figure depreciation on any other sum than the amount they had invested, there was no limit to the depreciation they might figure. It was a purely theoretical proposition, and it had no connection with any actual facts, but purely with the estimate of value in the distant future, and consequently reduced it not to an accounting proposition, but to a question of general corporation policy, which the accountants did not desire to follow.

Mr. GARDNER. That is very much what I supposed the reason was.

Mr. SMITH. Yes.

Mr. GARDNER. Also it is very easy to see that if there is a depreciation of gold, that a $5 dividend on an investment of a hundred dollars is a great deal less than a $5 dividend on another one of a hundred dollars, and that if you maintain your capital exactly the same you will find that, after a period of years, you have a great deal less property, and you do not quite know how.

I was a bookkeeper myself before I came here, and I have often heard it said (in those days perhaps gold was rather appreciated temporarily than otherwise) that when you had got through charging off everything for depreciation that you felt you ought to charge off, you had better charge off about 10 per cent more, or you would be running behindhand.

Therefore, I am not at all convinced that, so far as the value of the property is concerned, the company has overrated the depreciation as much as you may think.

However, that is a very small and unimportant question, because the gist of the overcapitalization, or what is said to be the overcapitalization by you in this summary, and denied by the company, lies in the fact that, out of the $700,000,000 which you say was watered in 1901, $600,000,000 of that water alone arose from overvaluation of the ore lands. You have got a valuation of their ore lands of about $100,000,000, which represents one-seventh of a dollar a ton—call it 15 cents a ton—and they, on the other hand, value it at a dollar a ton.

Here is a thing which I can not get through my head at all:

If the United States Steel Corporation sees 700,000,000 tons of ore, some of it to be used this year and some of it not to be used for 40 or 50 years, perhaps, how can you possibly value a property of

that kind at any fixed price a ton? Would you not have to calculate the present worth of the dollar 40 years hence?

Mr. SMITH. That is practically what we did. We calculated the present worth of that property, discounting the ordinary royalty rate.

Mr. GARDNER. I am not speaking of the losses. I assumed that that is what you had done; but you said that you have done it in the condition of the leaseholds?

Mr. SMITH. Yes.

Mr. GARDNER. From the papers submitted, and so far as you may express an opinion, did the United States Steel Corporation do any such thing in valuing it at $700,000,000, or did they take a flat rate of a dollar a ton, irrespective of whether that ton was to be mined 40 years from now or to-day?

Mr. SMITH. I believe we stated in here that we took a flat rate of a dollar a ton.

Mr. LINDABURY. Did we not submit values of those ores in the Hodge suit?

Mr. SMITH. You just submitted a round value of $700,000,000.

Mr. LINDABURY (continuing). And expert appraisals?

The CHAIRMAN. Was that before or after the absorbing of the Tennessee Coal & Iron?

Mr. SMITH. Before.

Mr. LINDABURY. We had an attack upon this organization in the courts, and a charge of overcapitalization; and we went through all the courts and proved the capitalization as it was made.

Mr. GARDNER. That was the time that you were changing the form of your securities, and your right to change them was questioned?

Mr. LINDABURY. Yes. That was the suit of Hodge against the Steel Corporation. In fact, there were two suits, and the Hodge suit was the second.

Mr. SMITH. On page 46 we made this statement:

> It is worth noting, incidentally, that this valuation of, roughly, 51 cents per ton at the close of 1907 compares with a valuation in the Hodge suit in 1902 of $1 per ton.

That is the next paragraph from the last, on page 46.

Mr. GARDNER. In the record of that suit is there anything to show how they arrived at a valuation of $1 a ton, or if they took into account the fact that $1 a ton 40 years from now was worth a very small percentage of $1 to-day?

Mr. LINDABURY. I can bring a copy of that record here. It is a good while ago, and I do not recall it.

Mr. SMITH. I could not say.

Mr. LINDABURY. I could get a copy which would show for itself.

Mr. GARDNER. You came to the conclusion that 50 per cent, roughly speaking, of the original capitalization, was watered; that there was about half substance and half water. What is the objection to water in an organization, when the Government does not attempt to control the price of their product, like transportation, for instance, or, we will say, where the Government, although controlling it, can get at the facts, as you have to get at the actual investment? What are the various objections to water?

Mr. SMITH. Of course, the first objection that occurs is the objection of the investor.

Mr. GARDNER. The stockholder? He is deceived, or he finds it hard to get his facts?

Mr. SMITH. That is, the average American thinks that the hundred-dollar mark printed on a certificate of stock means there is a hundred dollars worth of value back of it.

Mr. GARDNER. Do you think he thinks that to-day?

Mr. SMITH. A lot of them thought so. I guess they know better now. Lots of people do think so.

Mr. LINDABURY. There never has been a time when the average American thought that.

Mr. GARDNER. I think he rather goes to the opposite extreme to-day.

Mr. SMITH. I do not know. When I was in private practice I had a good many unfortunate clients who really did have that belief, that they had got a hundred dollars' worth of something.

Mr. GARDNER. That is an objection from the point of view of the stockholder. Now, from the point of view of the public—the consumer?

Mr. SMITH. So long as you assume the hypothesis that the Government has no right to regulate the prices——

Mr. GARDNER. I did not assume that; but suppose the Government does not have that right?

Mr. SMITH. Yes; then, from the standpoint of the consumer, the evil is somewhat indirect. Of course, if the Government does regulate prices, it is going to base those prices, as it does in the railroads, very largely on capitalization, or the relation between capitalization and assets. If it does not attempt to regulate prices, that does not occur; but nevertheless the public, in its general attitude toward the corporation, in legislation affecting that corporation and that industry and similar corporations, is going to be governed, and the voter is, and the Congressman and the Executive must be, more or less, by whether these various minds consider that the profits are excessive; and they are going to judge profits very largely by capitalization, lacking any other basis to judge them by, in most cases. So that there is a very decided public evil, to my mind, in such substantial stock watering—that it places a very important economic situation wrongly before public opinion.

Mr. GARDNER. You realize that if you had no water in the corporation—for instance, in a street railway in Massachusetts—it would not be to anybody's interest to get up that company and go through all the preliminary organization and expense if every cent in securities must be represented by money expended?

Mr. SMITH. Yes.

Mr. GARDNER. And, as a matter of fact, I think we have met that situation somewhat in Massachusetts?

Mr. SMITH. I suppose you have.

Mr. GARDNER. There was something in your report which indicated to me that you had a belief that the policy of the large corporations as to prices was somewhat dictated by the amount of their capitalization.

Mr. SMITH. Yes.

Mr. GARDNER. Is that your belief?

Mr. SMITH. That is my belief. It seems to me rather obvious—perhaps not obvious, but this would be the reasoning: Say a cor-

poration has a million dollars capitalization. Say it is all common stock. It wants to pay its stockholders some return. It is very important to the corporation that its financial standing should improve; should be good. Accordingly, the only way in which it can gain a return on the capitalization and pay dividends of a reasonable amount is by fixing prices high enough to do it; so that it will fix its prices high enough to give it sufficient profit to pay a satisfactory dividend on the capitalization. Now, if that capitalization contains a large amount of water its prices are going to be partly determined by that amount of water.

Mr. GARDNER. When not restrained by motives of public policy or Government control, do you think that the corporation exists that does not charge all it can get?

Mr. SMITH. I think so. I think I have been counsel for one or two in my private practice.

Mr. GARDNER. I should say that they charge what they can get for products, especially when there is even the limited competition which exists in almost everything. I can not see why their policy as to prices is affected unless they are willing to forego profits that they otherwise could get. It seems to me that the price policy of the corporation must of necessity be what the traffic will bear.

Mr. SMITH. That, of course, is the usual, normal situation, but there is a zone there where prices may be affected; methods may be adopted, in the urgent desire to pay profits, on a high capitalization that would not be followed on a lower capitalization.

Mr. GARDNER. I take it that one of the reasons for overcapitalizatiton is that the company does not wish to reveal to the public, or the legislating public, or perhaps to their competitors, that they are earning 40 per cent, for instance?

Mr. SMITH. Yes.

Mr. GARDNER. Or some very large figure?

Also, it seems to me that overcapitalization in the past, in a developing country, has had a great many things to justify it. For instance, supposing that I started in manufacturing shoes down in my neighborhood, and for convenience capitalized my company at $5,000. If by dint of industry and superiority of business accomplishment I built up a business that was worth $50,000, everybody would consider it a most meritorious thing. At the same time my shares, if they had any current value, would be selling for a thousand dollars instead of a hundred dollars a share. Some one else, who bought out my business and capitalized it on its earning capacity, would issue 10 new shares for the old ones and would be accused of having inserted 90 per cent of water.

In discussion with one of the gentlemen this morning, I think it was Mr. Littleton, he asked some question as to whether these great increases of capitalization, this pouring in of water, did not take place simultaneously with great combinations of capital, in order to provide for the added value which comes from the exclusion of competition; to which you, I thought, replied rather in the affirmative.

Mr. SMITH. I think I did, generally.

Mr. GARDNER. Have you noticed any less inclination to overcapitalize in the small corporations of the State of Maine, for instance?

Mr. SMITH. Of course there are a lot of little corporations organized, that no one knows anything about, on practically a mythical

basis, in Maine, and other States, that probably, in their way, are just as bad as any others.

Mr. GARDNER. I had not noticed myself that the dividing line came in any such place. I had rather assumed that all men who expected the development of their business—and most men do when they go into it—if the laws of the State in which they were incorporating permitted it, were anxious to overcapitalize without the slightest idea of taking up that overcapitalization by the value which came from excluding competition.

Mr. SMITH. I may not have understood Congressman Littleton's question exactly. I think what I meant to say was that in these large concerns the two have practically coincided.

Mr. GARDNER. I wished to point out that I did not think that was exclusively so.

Mr. SMITH. I do not think I meant to say it was exclusive.

Mr. LITTLETON. I will say to Mr. Gardner that in the case put, of the small corporation, the man is generally disappointed in his expectation of turning water into wine; whereas, when they have exclusive control of the output and price, they can generally turn water into wine.

Mr. GARDNER. Well, I think there is probably something in that.

Mr. SMITH. Before you leave the matter of the capitalization, may I add something?

Mr. GARDNER. I am going to stick to it, but go ahead now.

Mr. SMITH. I just want to point out the particular importance in this connection, the rather interesting importance of the overcapitalization in connection with the overvaluation of ore. As we point out ourselves, and as the Steel Corporation undoubtedly had in mind, that is not only the one item that can be overvalued—nobody can say just what it is worth, and it is one thing where you can take up slack better than anywhere else—but also it is the one item that you can not value any way very well. It is the ultimate natural resource upon which the industry depends, and a valuation placed on that governs the whole industry more or less, so that when watered capitalization, excess capitalization, is thrown back onto the natural resource, which you can not value any way, which you can not reproduce, it becomes peculiarly interesting as an important public question.

Mr. GARDNER. I can see that that which is buried beneath the earth, to be dug out at some future time, might be a very available sponge——

Mr. SMITH. Yes.

Mr. GARDNER (continuing). For the purpose of absorbing water.

Mr. LINDABURY. Nevertheless, it may not be a sponge at all. It may be the real ore.

Mr. GARDNER. What I was trying to arrive at, because I am not altogether clear in my mind about it, is this: While admitting a great many evils of overcapitalization and admitting that in cases where Government regulation comes in it is inexcusable and not admissible, I wanted to find out whether you could throw any additional light upon the general question of how harmful it was as a general principle.

Mr. SMITH. Well, I have stated here in the report:

The bureau does not assume to say that the capitalization should have been one-half what it was or indorse at this time any particular theory of capitalization.

Mr. GARDNER. I read that, but I think there is an inflection in that report——

Mr. SMITH. Yes; there is.

Mr. GARDNER. That indicated to me, at all events, your views, which, of course, are the current views to-day.

Mr. SMITH. A fair inference from the report is that at least we intend to criticize overcapitalization when it reaches this extent; yes.

Mr. GARDNER. I mean there is a little more than pointing out how the overcapitalization was arrived at.

Mr. SMITH. Yes.

Mr. GARDNER. There seems to be a shadow there.

Mr. SMITH. I think there is a little criticism there.

Mr. GARDNER. Turn to page vi of your letter of submittal, will you, please, and look at the third paragraph, the last sentence, speaking of the overcapitalization or what we will assume to be overcapitalization:

In so far as that excess represented value in 1901—

That is, the water—

it was value due either to increased earning power from elimination of competition; concentrated ownership of the basic natural resources, iron ore and coal; or, in some degree, integration efficiency.

Does not the decreased cost of distribution enter very largely into the savings of an organization that is conducted on a very large scale—even more, perhaps, than the advantages of integration?

Mr. SMITH. I really meant to include, I think, in the integration those economies, though I am frank to say the words do not include it as much as they ought to; but there are very decided economies in distribution. There is no question about that.

Mr. GARDNER. Leaving the Steel Corporation for a moment, in these huge combinations of capital, as you have examined them, in what do the great economies, which they claim exist, consist?

Mr. SMITH. Let me see. Take the Standard Oil Co., for instance, which we examined pretty thoroughly. That industry, as you will find in the case of most industries, is based on one particular keystone. The whole Standard Oil proposition is hung on the keystone of transportation. It always has been; but their great economies were wrought by the pipe-line system, bringing the crude oil from the fields to the refineries; and then important, but not so important, is their tank-wagon distribution system, which they have developed very highly. So that in their economy I think the largest item was in improved transportation. That is the elastic factor in the oil business, practically.

Mr. GARDNER. In my State a great many cotton goods are made, and so far as I know there is no combination between the companies. They have told me, roughly speaking, that a yard of cloth which they get 25 cents for you would have to pay in R. H. Macey's 50 cents for, the cost of distribution being 100 per cent; and they tell me that is

caused by the immense amount of advertising, where different kinds of cloth are substantially one as good as another, and that is all clear waste; that the various middlemen that they have to pass the product through eat away all the rest of that 100 per cent extra which the public has to pay. I heard them discussing, some of them, the wisdom of forming a combination, presumably they would say not in restraint of trade. But that they allege to be the one important factor in a combination. They said that it was not for the purpose of raising prices; that it was not for the purpose of decreasing their pay roll, because it would not decrease their pay roll; but it was for the purpose of eliminating those costs of distribution. In your examination of these trust problems, how much truth should you say there was in that statement?

Mr. SMITH. The situation was a little different, because the instance you give is the instance of a highly elaborated product, of quite a number of different forms, more or less akin to the retail trade, whereas the businesses I have had to do with have been the large staple products, like oil, tobacco, lumber, and steel, and things of that sort, where the trade is comparatively simple, and consequently there is not so much chance for that waste of distribution. So that, while I think there is a considerable possibility of saving as between the old-time 50-year-ago business and the modern great combination, I do not think it is anything like as large as is usually claimed. Take this particular steel corporation as an example. There, I do not think, there really was very much, because the Steel Corporation was formed out of consolidations that had got most of those advantages anyway. But when you start from the old-time basis of small concerns and go to a large combination you undoubtedly do make an appreciable saving in their distribution cost.

Mr. GARDNER. Then, there might be some truth in the statement of those cotton-mill men, that that was their true motive?

Mr. SMITH. There might be some truth in it.

Mr. GARDNER. But it would not be applicable to an industry like the steel industry, which had already eliminated a great deal of the cost of distribution.

Mr. SMITH. It would not be so applicable. There might be a certain amount.

Mr. GARDNER. Do you think the fact that securities become more negotiable is an element which you can eliminate from being one of the additional values given by consolidation?

Mr. SMITH. I do not believe I quite understand the point.

Mr. GARDNER. You say:

> In so far as that excess represented value in 1901, it was value due either to increased earning power from elimination of competition, concentrated ownership of the basic natural resources, iron ore and coal, or in some degree integration efficiency.

Might not you add to that the fact that they can borrow money a great deal better if they have securities which are acceptable in a panic at 84 or 85?

Mr. SMITH. Oh! That probably does add some value; but hardly very much value as compared with——

Mr. GARDNER. It is not substantial?

Mr. SMITH. Not very large; no.

Mr. GARDNER. I should have supposed that it had some quite——

Mr. SMITH. It may have considerable; but in this particular case, you see, there were large corporations which had a distinctive standing on the stock market anyway.

Mr. GARDNER. Turning to the last page—page 60 of your report—the last paragraph reads:

> Hence, not only on account of its great holdings of ore, but also on account of these peculiar advantages enjoyed in the transportation of the ore the Steel Corporation occupies an extremely commanding position in the iron and steel industry. Indeed, in so far as the Steel Corporation's position in the entire iron and steel industry is of monopolistic character it is chiefly through its control of ore holdings and the transportation of ore.

In your opinion, not speaking from any private knowledge that you may have as Commissioner of Corporations, is there nothing of a monopolistic character in the interlocking of the directorates with transportation companies, who transport other things than ore? Does the institution of the Interstate Commerce Commission and the forbidding of rebates entirely exclude favoritism between one corporation and another?

Mr. SMITH. You are speaking not of the Steel Corporation, but of any corporation?

Mr. GARDNER. Any large corporation.

Mr. SMITH. Oh, I think it certainly is true that there do exist practical discriminations; not necessarily illegal ones, but practical discriminations.

Mr. GARDNER. But of a monopolistic character, owing to the fact that you can have but one interlocking board of directors?

Mr. SMITH. Yes; undoubtedly there are such things.

Mr. GARDNER. Now, you have estimated that the United States Steel Corporation has 75 per cent of the lake ores, the best ores. Who own the other 25 per cent?

Mr. SMITH. I do not recollect the names of the important owners. There were——

Mr. GARDNER. Are not 20 per cent of them or 15 per cent of them owned by other independent steel organizations, or thereabouts?

Mr. SMITH. That I can not say, Mr. Congressman.

Mr. GARDNER. What I am trying to get at is this: I assume that we will all admit that there is competition in the steel trade; but if those best ores are taken up by the United States Steel Corporation and other large concerns, that competition, while it may exist, is by no means unlimited competition, because you and I and other people can not go into the business, owing to the fact that what good ore lands they have not got some other men have. Is that the fact?

Mr. SMITH. Unquestionably that would be the fact. We have referred here to the existence of a number of great primary companies—Jones & Laughlin, the Pennsylvania, the Lackawanna, the Cambria, the Republic, and Colorado Fuel & Iron.

Mr. GARDNER. If the secret of the steel business rests on the holding of the best and most availaable ores—I put that as a broad "if"—if that is so, must we not be necessarily forced to the conclusion that free competition, upon which the whole economic system of the world has hitherto been based, has disappeared in the steel industry?

Mr. SMITH. Yes. I think you must. If you grant that the natural resource, the one natural resource, or ore, upon which the industry is based, and must be based for a considerable time, is in the hands of comparatively few companies, although those companies be rivals at present, you certainly can not contend that unlimited competition exists.

Mr. GARDNER. The same umbrella extends over them, to wit, the limited amount of ore, does it not?

Mr. SMITH. It certainly looks that way.

Mr. GARDNER. I am going to come to the question in a moment, as to whether or not that is the fact—whether they control every acre of the lake-ore region. But assuming that it is the fact, and that we have been led up to the point in the argument that there is no longer free competition, if we are to follow the teachings that we find most often in the school of political philosophers of the last century, all of them have felt that where free competition did not exist, unless for temporary reasons, like a patent, something must be substituted in its place. Now, of course, you have given this subject a great deal of thought, and at once it must have presented to you the question of substituting Government control and the fixation of prices, and other conditions on the one hand, or the Government acquirement of the monopolistic features. In other words, the Government buying out their ore lands or whatever the other monopolistic features are on which they base themselves. Do you care to express your opinion as to which of those methods would be preferable? This is all on the assumption that we have got to the stage where free competition can no longer exist.

Mr. SMITH. That is a matter that I have thought about a great deal, Mr. Congressman.

Mr. GARDNER. Naturally I wondered if you would care to express an opinion.

Mr. SMITH. I have thought about it a great deal, without reaching a definite conclusion. I can readily see that taking a great industry like steel or lumber, which rests right squarely on a natural resource, the surest and most effective way for the Government to control that industry for all time is to control the natural resource.

Mr. GARDNER. And then allow the free competition to take place.

Mr. SMITH. I have pointed out in a recent report on the standing timber of the country the enormous concentration of that timber in the hands of a few holders and the way in which the Government has thrown away its timber, lost it and given it away, and been swindled out of it. If the Government, instead of adopting that land policy, had held that timber and leased it out—and it may lease it to as large a corporation as you choose or in as large an amount as you choose within reason—the Government would be in a position to maintain competition ad lib and at the same time get for itself the advantage of the unearned increment in that resource. So, when it comes to the question of any natural monopoly, while I do not want to express any opinion myself on it, I simply want to suggest the very important relation to the future of an industry which the public holding of a natural resource would present. I say it because there are a great many of our natural resources that we have not lost entirely yet. There is a great deal of our coal and timber that we have not lost entirely. If the States of Minnesota and Michigan had

simply made leases of their ore, instead of letting it get into private hands, those States would be in a very strong position, certainly, in regard to the steel industry. Of course, the progress of the industry brings more and more lower grades of ore into use, and no man can say how low the grade will go in 25 years. They are now getting, perhaps, 53 per cent of metallic content——

Mr. GARDNER. Open hearth?

Mr. SMITH. Yes; but they are using in the South 40 per cent. Then all the time there are new discoveries of ore being made. There have been enormous discoveries of ore in Cuba.

Mr. GARDNER. I was coming to the Cuban question. I would like, if possible, to frame the statement of facts and then discuss the remedies. I have taken the position, for convenience, rather inversely with you; but if you are ready to go on with that question of the Cuban ores and their availability in competition, we will say, west of Pittsburg, and east of Pittsburg, I would be very glad to hear what you have to say about the extent of the Cuban ore fields, and their availability to reestablish, if it has disappeared, unlimited competition.

Mr. SMITH. There I am unfortunately up against my statutory limitation again; but we will have that in my report. I expect to have something of that kind in my report.

Mr. GARDNER. There is nothing that you have that is of general knowledge?

Mr. SMITH. No. Everything I have in relation to Cuban coal is in my position as commissioner.

Mr. LITTLETON. The Representative has asked you regarding corporations——

Mr. SMITH. I beg your pardon.

Mr. LITTLETON. The Representative has asked you regarding corporations and overcapitalization.

Mr. SMITH. Yes, sir.

Mr. LITTLETON. Did not your department report that there were, in round numbers, 262,000 corporations that made a return under the corporation tax?

Mr. SMITH. No; we have not reported that. I think that must have been the Commissioner of Internal Revenue. A great many people naturally have the impression that we have to do with the corporation tax, but we do not have anything to do with it at all.

Mr. LITTLETON. It is a fact, is it not, within your knowledge, that the number of corporations under the tax was two hundred and sixty-two thousand and odd corporations?

Mr. SMITH. If I have ever seen it it has slippd my memory entirely. I do not recollect it.

Mr. LITTLETON. Have you taken up the question of correcting the method of the incorporation of concerns—of granting charters?

Mr. SMITH. The question of practical means of getting at a better incorporation system?

Mr. LITTLETON. Yes.

Mr. SMITH. I have been at it for some time, but I never could arrive at anything that was satisfactory because, of course, with a State system, with 46 States, I need not say to you, as lawyers, that if 45 States agree on a perfect system there is the strongest possible incentive for the forty-sixth to jump it. For 20 years the American

Bar Association has been at work trying to get the States to draft a uniform negotiable instruments law, a perfectly nonpreferential subject, and a law that is perfectly obvious and necessary, but they have only procured it in two-thirds of the States. Take the corporation law. I do not think it is humanly possible to get anything like a uniform incorporation law in this country under the State system.

Mr. LITTLETON. Is not one of the fundamental things the creating of an initial safeguard in incorporations? Does it not occur to you that the power to grant charters has got to be dislodged from the hands of a ministerial officer in a State before you can begin to get the initial safeguards in incorporations and make corporate development normal and proper?

Mr. SMITH. What is the alternative? Where would you place it?

Mr. LITTLETON. Take Germany. I believe it is said that in Germany they make application to a tribunal for incorporation. The tribunal, on notice to the attorney general, we will call him—a short notice—grants a decree, which becomes the charter of the concern.

Mr. LINDABURY. It is a judicial inquiry?

Mr. LITTLETON. It is a judicial inquiry. Then, when the decree is granted it is only upon report and actual ascertainment of the fact that the capital represented is paid in. I am told, and I have investigated it a little, that the shares of stock become the subject of investment for all classes and conditions of people for that reason.

Mr. SMITH. Yes.

Mr. LITTLETON. In addition to that, if the concern attempts thereafter to combine or to do any injurious or inimical thing to the commerce of the country, they do not have to create a monopoly statute and go out and prosecute independently, but they simply notify it to return to this particular tribunal, and if it has offended grievously against the grant a receiver may be appointed. If it has not, it may be admonished of its wrongdoing and some penalty imposed, and it may go about its business.

Mr. SMITH. Yes.

Mr. LITTLETON. Do you not believe that the real correction of the method of incorporation is to have it proceed from a judicial inquiry and based upon a judicial grant, with the power to call it in and to wind it up if it does offend against the economic policy of the country?

Mr. SMITH. You say "judicial." You mean "semijudicial"?

Mr. LITTLETON. When I say "judicial," I mean in the sense that it must be by some branch of the Government which would have power to make an inquiry and to issue a charter grant in the shape of a decree, and which would have power to call it back into court if the corporation attempts at any time to act in a manner inimical to the economic policy of the country.

Mr. SMITH. I am frank to say that that seems a common-sense way of getting at it.

Mr. LITTLETON. You spoke about 46 States?

Mr. SMITH. Yes.

Mr. LITTLETON. Would it not be possible—this is proceeding in the very nakedness of inquiry—to say that any concern that was organized in a State, that crossed the line and started to enter into

interstate commerce, must become, before it crosses the line, an institution created by the Federal Government, which would exact the very same thing which would have been exacted if it had been incorporated under the Federal Government, so that it does not enter into the channels of interstate commerce until these things have been done?

Mr. SMITH. From my experience as a very young and inexperienced lawyer; yes.

Mr. LINDABURY. That is the license system.

Mr. LITTLETON. It is the license system, with one exception.

Mr. SMITH. I believe it is possible. I believe that power is included under the interstate-commerce clause. I know there are some people who say that that clause can only be used for a limited purpose, but I think you can go a great deal further than that.

Mr. LITTLETON. If the Federal Government were to do that, they could add this initial safeguard by reason of the embargo that they could place, because they could deny them the right to enter interstate commerce.

Mr. SMITH. I think you could find a way to get at it.

Mr. LINDABURY. That comes the nearest to any plan that is practical of anything I have heard discussed.

The CHAIRMAN. Is it not true that the great majority of States provide that no corporation shall operate, or procure a charter or articles in that State without having previously paid in a certain amount of money, a given per cent of its capitalization? In other words, most of the States provide, say, 40, 60, or 80 per cent of the capital stock shall be based upon tangible, actual, intrinsic value before the corporation can operate.

Does not this evil arise from the fact that there are very few States in this Union—New Jersey eminently excepted—that grant the wildest discretion to corporations, and that a corporation of one State, organized in one State, and becoming a citizen of all the States, can incorporate in New Jersey and become, in a way, an industrial pirate in all the other States? And if we return to the original holding of the Supreme Court, that a corporation was not, in the language of the Constitution, an actual citizen, and force every corporation to absolute submission to the jurisdiction of the State in which it actually does business, this trouble would be, at least 90 per cent of it, obviated in those States that have honest, drastic legislation governing and affecting the creation and operation of corporations.

Mr. SMITH. I am afraid the trouble there is, Congressman, that you would always have some outlaw State, so to speak.

The CHAIRMAN. Exactly; but if it were true, if we could return to that original holding of the Supreme Court, that a corporation was not necessarily a citizen, and that an organization of men doing business—mining coal, say, in Tennessee—could not become, by a fiction of law, a citizen of New Jersey, this evil which has become a menace would be obviated to a great extent?

Mr. SMITH. You never could get the Supreme Court, of course, to hold that a corporation organized in one State could not go into another State for the purpose of interstate commerce. You never could go back against that theory.

The CHAIRMAN. Discussing this in a desultory way, I believe that that finding, that departure of the Supreme Court from its original holding, is the Pandora's box from which all these multifarious evils spring, and that the solution of this problem is not in a Federal charter, but in a vital strengthening of the original and once unquestioned jurisdiction of the various States over corporations doing business within their borders. But that is neither here nor there. Now, to return for just a few questions, and then we will excuse you. I am very much impressed, Mr. Commissioner, with your statement that this is an ore and a coal monopoly. I am somewhat inclined to question, not the accuracy of your statement—but my investigations have not led me to believe that it is a monopoly of coal——

Mr. SMITH. We did not lay much weight on the coal side, Mr. Congressman. It was mostly on the ore.

The CHAIRMAN. If it is a monopoly, there is a certain per cent of coke necessary to the conversion of a certain amount of ore. In other words, where you have ores not like the ores of the Birmingham district, which are self-fluxing—that is, the limestone and the iron ore are not mingled together by nature, and for that reason must be mingled in the blast furnace—you must have so much iron ore, so much coke and so much limestone and so much ferromanganese put in layers in the blast furnace in order to get a certain number of tons of pig iron.

Mr. SMITH. Yes.

The CHAIRMAN. Now, if the United States Steel Corporation, we will say, had a monopoly of all the ore and did not have a monopoly of all the coking coal, the men holding the coal to be made into coke would hold the key to the situation, would they not?

Mr. SMITH. Yes; assuming that the corporation——

The CHAIRMAN. That is, so far as the formation of a monopoly is concerned.

Mr. SMITH. Assuming that the corporation had no coal.

The CHAIRMAN. Not sufficient coal.

Mr. SMITH. Unquestionably if the corporation had not sufficient coal they would be in a bad hole.

The CHAIRMAN. If the United States Steel Corporation did control 75 per cent of all of the iron ore in the country and 75 per cent of all of the coking coal, they would possess a monopoly that I am free to say it would be very difficult for legislation to reach or destroy.

Mr. SMITH. It would be a very strong position, unquestionably.

The CHAIRMAN. Because—and I want to ask you for your opinion about it—if they held all the natural resources of the country, or a monopoly of them, by fixing the selling price of coke and ore they could control the price of the finished product without entering into any of the contracts which are interdicted by the various interstate-commerce laws of the country. Is not that true?

Mr. SMITH. Oh, yes. A corporation that had control of 75 per cent of the commercially available ore at that particular time and 75 per cent of the commercially available coking coal would certainly possibly not be a monopoly in the sense of anything like a complete control, but would be in a position that would substantially conform to a monopoly.

The CHAIRMAN. What percentage does your report state of the coking coal of the country is held to-day by the United States Steel Corporation?

Mr. SMITH. We do not state that. I do not know that I could give you that even if I had the figures here. But there is this thing to be considered: Originally—this is a matter of general knowledge—the Connellsville coal was considered to be the best coking coal in the country; not necessarily the only coking coal, but it was of very much more advantage to have it. In the last few years they have been using what they call by-product coke, whereby they use a much lower grade of coal, so that the position of the Connellsville coal does not give now the exclusive power that it did once, I think.

The CHAIRMAN. What per cent of the Connellsville region is held by the United States Steel Corporation?

Mr. SMITH. That I can not give offhand. We will give that, I think, but I have not it in mind. It is quite a large per cent.

The CHAIRMAN. Fifty or sixty per cent?

Mr. SMITH. Mr. Lindabury, do you know about that?

Mr. LINDABURY. I thought it was less, but my recollection is not definite.

Mr. SMITH. I do not remember.

The CHAIRMAN. This is cheering news to me, in view of the situation——

Mr. LINDABURY. Cheering news?

The CHAIRMAN (continuing). That the Jones & Laughlin Co. hold as much of the Connellsville coking coal as the United States Steel Corporation—that is, 100,000 acres. Do you know how much coking coal you have, Mr. Lindabury? I am not putting you on the stand, but asking you to make a rough estimate.

Mr. LINDABURY. I will tell you all I know, but it is not much.

The CHAIRMAN. I do not want to ask you——

Mr. LINDABURY. I would tell you if I knew. There is nothing that I have not told you if I did know.

Mr. SMITH. They have now—no, we have not the acreage here. I thought we had. I have forgotten what it is.

The CHAIRMAN. Have you examined into the holdings of—I think his name is W. V. Thompson?

Mr. LINDABURY. I think Mr. Hall thought that we were getting a monopoly because we were buying a few acres more of coking coal out there.

The CHAIRMAN. I will be perfectly frank in saying that if I found that the United States Steel Corporation did not hold a monopoly of the coking coal of this country I would unhesitatingly announce it from this stand; and I can not conceive of a disaster short of foreign invasion more appalling than for any concern to hold the fuel of this country. When my attention was called to this fact that the United States Steel Corporation had a grip upon the bituminous coal in this country similar to that held by President Baer, by divine right, upon the anthracite region, I gave the matter my immediate and earnest attention.

Mr. LINDABURY. I understand that you went to the bottom of that and satisfied yourself.

The CHAIRMAN. I have tried to get to the bottom of it.

Mr. LINDABURY. And that is the only thing that you have been to the bottom of. When you get to the bottom of these other things I hope you will be equally satisfied.

The CHAIRMAN. If I, after an honest and fearless investigation, find that the United States Steel Corporation has no more monopoly in iron ores in this country than it has in coking coal, and no more monopoly of the transportation business or the other products, I will say so with absolute candor.

Mr. LINDABURY. I think you will, in the end.

The CHAIRMAN. Now, to get back to the subject, I am advised that Mr. Thompson, in that Connellsville region, holds, say, a greater acreage of coking coal than the United States Steel Corporation, and that that coal is for sale to any man who will buy it at his terms—that is, he will sell it just as freely to the independent as to the United States Steel Corporation.

Mr. SMITH. Do you remember any price that was set on that? I am asking for information.

The CHAIRMAN. Approximately $2,000 an acre.

Mr. SMITH. $2,000? We gave the Steel Corporation credit for $1,200 an acre here.

The CHAIRMAN. It does not make any difference what he sells it for if he sells it the same way.

Mr. SMITH. That is W. V. Thompson?

The CHAIRMAN. Yes; W. V. Thompson.

Mr. SMITH. I do not believe I know anything about him. I know his name, but I do not know anything about his holdings.

The CHAIRMAN. I am not expressing any opinion, but my investigations have not led me to the conclusion that the United States Steel Corporation has to-day a monopoly—over 50 per cent, that means—of the coking coal of the country.

Mr. SMITH. We did not make any statement about the coking coal. You can see that we had something about the same view.

The CHAIRMAN. I am inclined to agree with the finding of the Commissioner of Corporations, that the United States Steel Corporation has to-day practical control of more than 75 per cent of the ore of the country. I wish to ask the commissioner if a monopoly of raw material is or is not more dangerous to competition than a monopoly of the means of converting those materials into finished products?

Mr. SMITH. Broadly speaking, I think it is. I think that is the basic, ultimate monopoly. That is the monopoly that even the law can not reach. There you come right up against rights which you can not touch. Anything else you may be able to hit by legislation, but here you come against vested property rights as protected by the fourteenth amendment to the Constitution.

The CHAIRMAN. As solid as the hills in which it rests.

Mr. SMITH. That is the difficulty with that sort of monopoly.

The CHAIRMAN. For instance, if I controlled, if I could get possession, of all the sawmills of the country, and should not attempt to buy up the timber, my monopoly would last just so long as you or any other man could equip a sawmill, would it not?

Mr. SMITH. Yes.

Mr. LINDABURY. Suppose you had all the water-power sites?

The CHAIRMAN. But if I owned all the timber lands of the country, the sawmills would be at my mercy.

Mr. SMITH. That is what we stated in our report on lumber; the man who owns the timber controls the industry.

The CHAIRMAN. Yes. When did you discover that this United States Steel Corporation was an ore monopoly?

Mr. SMITH. Well, we did not say it was an ore monopoly, but that its position, in so far as it was a monopoly, was in ore. I think that was the result of our final, true conclusion, reached about three weeks ago. Our final conclusion was reached then.

The CHAIRMAN. You had been at this since 1906, have you not?

Mr. SMITH. Yes; but for three or four weeks before this report came out my assistants and the economists and myself were arguing these things out at nights, and that ore question we discussed again and again, and that was one of the most difficult things that we had to settle, the situation as to the ore, and we almost lost our tempers over it before we came to the conclusion as to how we should state that in the report.

The CHAIRMAN. I will ask you if, in 1906, the United States Steel Corporation did not hold a more invulnerable position in the control of ores than it does to-day?

Mr. SMITH. I do not know what the relative position was then and now.

The CHAIRMAN. Let us see. You know that the United States Steel Corporation is the owner of the Duluth, Missabe & Northern Railway?

Mr. SMITH. Yes.

The CHAIRMAN. And that the United States Steel Corporation is the sole owner of the Duluth & Iron Range Railroad. You know that the Hill holdings and the Morgan holdings, I might call them, are under contract, and that the men holding those ores must ship according to the terms and the title deeds of those properties, over the Hill roads; is not that true?

Mr. SMITH. That is right.

The CHAIRMAN. At a fixed rate of 80 cents a ton?

Mr. SMITH. That is substantially it, yes; that is 80 cents a ton for transportation, yes.

The CHAIRMAN. Then in 1906 no appreciable amount of ore could pass from the Missabe, the Vermilion, and other ranges in that region to the Lake without passing over the Hill road or the roads of the United States Steel Corporation; is not that true? There is no other road up there.

Mr. SMITH. I do not recollect any other.

The CHAIRMAN. There is no other. Then the United States Steel Corporation charging a fixed rate of 80 cents per ton, that the laws of Minnesota could not reach, and the Hill roads charging 80 cents a ton, by virtue of the very terms of the contracts under which the ores were held, was enabled to place a fixed charge of that amount of money upon all ores passing from the Superior region, then the only ores available for steel purposes, to the Lake; is that true?

Mr. SMITH. If I am correct in my recollections that there were no other roads, then of course those three roads controlled that.

The CHAIRMAN. That is absolutely true. There are no other roads there.

Mr. SMITH. Yes.

The CHAIRMAN. You state in your report that these roads made an exorbitant charge.

Mr. SMITH. Yes; practically that. We say they make an exorbitant profit.

The CHAIRMAN. It is a matter of common knowledge that $2.50 per mile for haul—that is, a train hauling a load of cars for a given distance, making $2.50 a mile—is a fair compensation, is it not? Those are the figures of the Interstate Commerce Commission.

Mr. SMITH. I do not recollect it by carloads. The ton-mile figures are 3 or 4 mills, or something of that sort.

The CHAIRMAN. Yes; about 3½ mills is the average rate.

Mr. SMITH. Yes. Well, we have figured here that the rate on a ton on ore roads is 10 mills.

The CHAIRMAN. Yes; three times that?

Mr. SMITH. Yes.

The CHAIRMAN. Your conclusions and mine are based upon different estimates of the same thing.

Mr. SMITH. Yes.

The CHAIRMAN. In other words, if the Steel Corporation fixes these rates, it forces, according to the figures of your report here, the independent to pay for the hauling of 2 tons of ore every time he hauls 1 ton of ore for the independent?

Mr. SMITH. It certainly forces him to pay a pretty high price for it.

The CHAIRMAN. In other words, it forces him to pay 300 per cent over the fair charge?

Mr. SMITH. It is a large difference.

The CHAIRMAN. It is the difference between 3½ mills and 10 mills per ton-mile, is it not?

Mr. SMITH. I do not know whether the average of 3½ mills per ton-mile would be a fair average to apply to those roads.

The CHAIRMAN. The Interstate Commerce Commission makes an average of 3½ mills for all freight, from diamonds to fireworks. That being so, anything like coke and coal would be a lower rate, would it not?

Mr. SMITH. One would think so.

The CHAIRMAN. Why, certainly. So that the facts are that $2.50 a mile for hauling is a good rate, and these people make $50 per mile.

Mr. SMITH. $50?

The CHAIRMAN. $50 per each mile hauled. I mean that every time they haul a train of cars over a mile of road they make $50, or 20 times as much as is a fair rate.

Mr. SMITH. I have never figured it on the train basis.

The CHAIRMAN. If that is the case, the United States Steel Corporation can penalize the transportation of ores from the ranges to the blast furnaces, can it not?

Mr. SMITH. It certainly can make a large profit out of other holders of the ore up there. There is no doubt about it.

The CHAIRMAN. Have you investigated the natural causes, the acts of God, I might say, that might relieve the independent producers from that condition of affairs?

Mr. SMITH. I do not believe I know quite what you are referring to, Mr. Congressman.

The CHAIRMAN. I mean this: These were Bessemer ores, were they not?

Mr. SMITH. Yes; most of them.

The CHAIRMAN. Do you know when the Bessemer ore ceased to be essential to the steel industry?

Mr. SMITH. I do not know. Of course, the open-hearth process has been developing——

The CHAIRMAN. That is what I am driving at.

Mr. SMITH (continuing). For the last five years. That comes within the last five years.

The CHAIRMAN. I will ask you if the open-hearth processes have been used in this country to any extent except during the last three years?

Mr. SMITH. My recollection is that there was considerable open-hearth steel made five years ago.

The CHAIRMAN. Where, in this country?

Mr. SMITH. I can not remember. I saw a table somewhere.

The CHAIRMAN. Do you remember when the open-hearth process was instituted?

Mr. SMITH. No; I do not.

The CHAIRMAN. Was it not instituted in the Tennessee Coal & Iron Co., and by the Tennessee Coal & Iron Co.?

Mr. SMITH. It may very likely have been. That would be a natural place. I do not know about that.

The CHAIRMAN. How long was it after the first open-hearth process was instituted by the Tennessee Coal & Iron Co. until the Tennessee Coal & Iron Co. got into trouble?

Mr. SMITH. I do not know when they instituted it.

The CHAIRMAN. You had been making these investigations concerning which I have been speaking, since 1906?

Mr. SMITH. Yes.

The CHAIRMAN. Were you aware of the fact that the United States Steel Corporation, realizing the fact that the open-hearth process was destroying its Bessemer monopoly, was attempting to obtain possession of the non-Bessemer ores in the South before they obtained the Tennessee Coal & Iron?

Mr. SMITH. I do not remember. I do not remember any information we have had on that subject.

The CHAIRMAN. Did you see anything in the papers about it?

Mr. SMITH. At the time?

The CHAIRMAN. Yes.

Mr. SMITH. I probably did, if there was anything, but I do not remember it at all.

The CHAIRMAN. Were you investigating that matter at that time?

Mr. SMITH. No; we were not investigating the Tennessee Coal & Iron Co. at that time at all, so far as I recollect.

The CHAIRMAN. It is your duty to advise the President from time to time concerning the conditions of corporations, is it not, whether he asks for it or not?

Mr. SMITH. Let me see. I think he has to ask for it; but we do advise him sometimes when he does not ask.

The CHAIRMAN. You do advise him without his asking?

Mr. SMITH. Yes; I think we do, occasionally.

The CHAIRMAN. Did you advise the President of the United States that by the development of the open-hearth process the Bessemer ores, of which the Steel Corporation had a monopoly, had ceased

to be and were no longer the only ores which were available to the American public for the manufacture of steel at the time that this corporation was attempting to get possession of 80 per cent of those ores?

Mr. SMITH. I do not think I ever talked with the President on that subject.

The CHAIRMAN. Did the President, during the time that this corporation was attempting to get control of the Tennessee Coal & Iron Co., ever ask the Department of Commerce and Labor to advise him as to the nature and character of this merger?

Mr. SMITH. Not to my knowledge. He did not ask the Commissioner of Corporations.

The CHAIRMAN. With the improvement of the basic process the high-phosphorus ores of the South became, in proportion to their iron contents, more valuable than the Bessemer ores of the North, did they not?

Mr. SMITH. I would not want to make any flat statement on that, because it is a pretty broad subject.

The CHAIRMAN. Let us see. The ores of the Tennessee Coal & Iron Co. are self-fluxing, are they not?

Mr. SMITH. Yes; I believe so.

The CHAIRMAN. That is, they get the iron ore in the limestone?

Mr. SMITH. Yes.

The CHAIRMAN. Is not that true?

Mr. SMITH. We understand they have the limestone with the ore; yes.

The CHAIRMAN. And it takes 25 per cent of limestone, roundly speaking, to flux the Bessemer ores of the Lake Superior region, does it not?

Mr. SMITH. About that, I think.

The CHAIRMAN. Then those ores were practically 25 per cent richer in iron, as far as the cost of producting pig iron was concerned. were they not; because they did not have to get any limestone to put in the blast furnace?

Mr. SMITH. No; I would not say 25 per cent richer, because the furnishing of the limestone is not an expensive proposition at all.

The CHAIRMAN. Yet they need ferromanganese and other things?

Mr. SMITH. Yes; but that was a different proposition.

Mr. GARDNER. You say that is very small?

Mr. SMITH. I say the expense of furnishing limestone is very small. Manganese, of course, is not used except in a few products like rails, and things of that kind, where they want high carbon.

The CHAIRMAN. Here is what I mean. Here is a mountain full of iron ore, and here, within 100 yards, is a mountain full of limestone. A man goes and gets 75 tons of iron ore and 25 tons of limestone, where the limestone and the iron are not mingled together. It is immaterial to him whether he digs the limestone and the iron together in the same lump of ore, or whether he gets the ore without the limestone and goes over here and gets the limestone, so far as the limestone is concerned. That is what I mean.

Mr. SMITH. Yes.

The CHAIRMAN. Now, I will ask you if it is not true that with the improvement of the basic process they do produce a ton of pig iron $3 cheaper in the Birmingham district than anywhere else in the world?

Mr. SMITH. That is a matter that I think will be pretty satisfactorily answered by our report on costs.

The CHAIRMAN. What is your conclusion?

Mr. SMITH. I would not dare give any cost figures.

The CHAIRMAN. Have you examined the statements of Mr. Schwab and Mr. Gates on the question?

Mr. SMITH. Yes; but we have the figures of the companies, which are ever so much better.

The CHAIRMAN. In the light of these facts, is it not true that at the time of the absorption of the Tennessee Coal & Iron Co. that was the only large amount of available ore on this continent which could by any possibility be purchased that entered into active competition with Bessemer ores of the Superior region?

Mr. SMITH. That is the most important bed of ore measures, outside of Lake Superior, on the North American Continent that I know of.

The CHAIRMAN. The rest of that ore was held by the Republic Iron & Steel Co. and by other iron and steel companies that were solvent and were not putting their stocks on the market; is not that true?

Mr. SMITH. I do not know anything about that. What I have been saying is simply a matter of general knowledge, and if I do know anything about it, it is in the bureau.

The CHAIRMAN. The Tennessee Coal & Iron Co. did hold 80 per cent of that region. Then, if this was an ore monopoly, the thing which cinched that monopoly was the absorption of the Tennessee Coal & Iron Co., was it not?

Mr. SMITH. That depends entirely upon the value of the southern ore for the trade, and that I do not want to commit myself on, anyway, until I have got through with our figures of the cost.

The CHAIRMAN. Was there any other large body of workable ore——

Mr. SMITH. Yes.

The CHAIRMAN (continuing). On this continent, say, in America, between Mexico and the Canadian line, where pig iron could be made cheaply, except in that region?

Mr. SMITH. Well, not on this continent; but, while I can not go into the facts, it is public knowledge, and I can state that the Cuban ores, even as against the duty, are probably a very important factor in the situation. Now, that is only fair to say.

The CHAIRMAN. The duty, of course, is an uncertain quantity that could be increased.

Mr. SMITH. Yes; of course. And it might be decreased. But I do not want to have you overlook the Cuban ore.

The CHAIRMAN. I know about the Cuban ore and the Brazilian ore; but I am speaking of this continent.

Mr. SMITH. Yes; of this continent.

The CHAIRMAN. The consummation of that deal is the thing that gives the United States Steel Corporation its monopoly of the iron ores of the country?

Mr. SMITH. I would not want to commit myself to any definite statement about the Tennessee Coal & Iron Co.'s ore holding until I know more about the cost.

The CHAIRMAN. If we have 720,000,000 tons of iron ore against a billion of tons—against 700,000,000 tons owned by the Steel Corporation—that is what they put their holdings at—in other words, the Steel Corporation increased its ore holdings and its monopoly by 46 per cent by this deal, did it not?

Mr. SMITH. I do not think we stated how much increase was given by the Tennessee Coal & Iron Co.

The CHAIRMAN. Is it not 46 per cent?

Mr. SMITH. No; I do not think so.

The CHAIRMAN. How much ore did the Steel Corporation hold before it absorbed the Tennessee Coal & Iron Co.?

Mr. SMITH. We do not know. It certainly had 700,000,000 tons.

The CHAIRMAN. And it did not have in excess of that, did it?

Mr. SMITH. I do not know what their holdings were.

The CHAIRMAN. The Tennessee Coal & Iron Co. had 720,000,000 tons of available ore, did it not?

Mr. SMITH. Yes; but of very different grades.

The CHAIRMAN. Yes; different grades. They were self-fluxing ores?

Mr. SMITH. Well, but the difference in grade is very much more important than the question of a self-fluxing ore.

The CHAIRMAN. I understand. They were infinitely more accessible to the mines? In other words, was it not true that a man who held, who owned, ores in the Tennessee coal and iron region could mine 3 tons of ore and the coke and limestone necessary to convert it into pig iron and could get 3 tons of iron ore for less than a man could mine 2 tons of the high-grade ores in the Mesaba region for, transport it from the Lake Superior region to Gary or to Pittsburg, haul his ore to the blast furnace, and produce his pig iron? Is it not true that the facility of assembling iron ore, coal, and limestone where they are all together makes it from $2 to $3 a ton cheaper to produce a ton of pig iron in the Birmingham district than at Gary or at the Lackawanna factories or at Pittsburg or anywhere on this continent? Is not that true?

Mr. SMITH. I think we have at least a half an acre of figures on costs, which I should have to examine very carefully before I could answer that question.

The CHAIRMAN. You have examined those figures on costs?

Mr. SMITH. We have not examined them so that I am satisfied with any conclusion from them yet.

The CHAIRMAN. Mr. Schwab made that statement, and Mr. Gates made that statement, and it has not been contradicted. Now, have you anything here that might contradict that?

Mr. SMITH. I have not a statement, but I have the figures.

The CHAIRMAN. Do you question that statement?

Mr. SMITH. I neither question nor confirm it.

The CHAIRMAN. All right.

Mr. GARDNER. In order to get the record straight, I want to call attention to the fact that in one of your questions, Mr. Chairman, you stated that the commissioner had stated that the United States Steel Corporation held 75 per cent of the ores of the country.

Mr. SMITH. Yes.

Mr. GARDNER. And then the chairman continued as if that had been your statement, Mr. Commissioner.

Mr. SMITH. I meant to correct that at the time.
Mr. GARDNER. I have here your statement.
Mr. SMITH. I did not think to correct it.
Mr. GARDNER. Here is your statement on page ix of the letter of submittal:

> It is almost impossible, and would be unwise, to attempt any quantitative statement of its proportion of the total ore of the country, but of the Lake ores, on which the present steel industry is based, it has about 75 per cent.

I want to make that statement appear in the record, because the whole conversation between the witness and the chairman went along for some time, based on another presumption.
Mr. SMITH. I should have corrected that at the time, but I did not think about it. That, of course, was not my statement; it was the chairman's statement.
Mr. GARDNER. But you, in your answer, accepted the chairman's statement of your statement.
Mr. SMITH. Of course, I can only accept it in the form in which you have just read it.
The CHAIRMAN. If the United States Steel Corporation had 75 per cent of the Lake ores, but by the absorption of the Tennessee Coal & Iron Co. it has increased not only its actual but its relative holdings, has it not; because the Tennessee Coal & Iron Co. had 80 per cent of the rest of the ores in that region, did it not, that were available?
Mr. SMITH. I would not venture any guess on it. Without the figures for the whole country it is almost impossible to treat it intelligently. For instance, I may be giving the figures wrong, but here is the sort of thing we get up against when we try to give anything definite. I think the Geological Survey gives the commercial available ores of the country at about 5,000,000,000 tons, but the total ores of the country at about 23,000,000,000 tons, the difference between the two being simply a difference of metallic content. Now, unless you know exactly the metallic content you are talking about you have all the difference between five billions and twenty-three billions.
The CHAIRMAN. What is the amount of workable ores in the country?
Mr. SMITH. What is your definition of a workable ore?
The CHAIRMAN. I mean an ore that can be converted into iron.
Mr. SMITH. You can convert any ore into iron.
The CHAIRMAN. I mean at a commercial profit. Do not these various concerns divide workable and nonworkable ores, and have not the Geological Survey and the Bureau of Mines made that distinction?
Mr. SMITH. They make a distinction, and each makes a different one.
The CHAIRMAN. They divide them into those classes. I will ask you if it is not true that the United States Steel Corporation owns to-day between 75 and 90 per cent of the workable ores of the country—those that can be mined at a profit?
Mr. SMITH. I would not answer that until I knew what you mean by workable ore.

The CHAIRMAN. I mean an ore that a man can dig out of the ground and haul to a blast furnace and convert into pig iron at less expense than the selling price of the pig iron.

Mr. SMITH. That is pretty indefinite.

The CHAIRMAN. It is not indefinite at all.

Mr. SMITH. Unless you get at the metallic content. It is a question of the metallic content.

The CHAIRMAN. It may be 40 per cent. For instance, take a Bessemer ore 40 per cent iron. It might, by stripping off 5 inches of dirt with a steam shovel, where you got 5,000 tons a day, and brought it to the blast furnace; and it could be mined at a greater profit than a hard ore in a mountain side that had to be blasted out, containing twice the iron content.

Mr. SMITH. Or dug out.

The CHAIRMAN. And that would be cheaper, with railroad facilities, if it contained only 10 per cent iron ore.

Mr. SMITH. Certainly.

The CHAIRMAN. So that the real test of the cost is putting it in the blast furnace. And if it costs more to produce the pig iron than you can sell it for, that is a nonworkable ore, is it not?

Mr. SMITH. The cost of mining is a factor. That is not the important factor, if it is done on a large enough scale. There are ores now mined, I believe, at 3,000 feet depth in this country.

The CHAIRMAN. Are there not ores in Utah which are comparatively worthless, which are of a very high metallic content?

Mr. SMITH. I do not know about Utah.

The CHAIRMAN. Which have never been worked?

Mr. SMITH. Yes; I do not know.

The CHAIRMAN. Because it is so expensive to mine them and get the coke there to treat those ores. And propinquity of transportation and of facility of getting the coke are the predominant factors, are they not?

Mr. SMITH. And the metallic content.

The CHAIRMAN. Suppose you had out here a nonconformity of strata, as I think it is called, where you have got a ledge of pure iron—80 or 90 per cent iron—it is so near solid iron that it is like the copper of this Wisconsin region, you can not mine it. Is not that true? You can not do anything with it?

Mr. SMITH. I do not know anything about that Utah ore at all.

The CHAIRMAN. Are there any other questions? If not, that is all. We thank you for your attention, Mr. Commissioner.

(Thereupon, at 5.05 o'clock p. m., the committee adjourned until Monday, July 24, 1911.)

SUMMARY OF REPORT

OF THE

COMMISSIONER OF CORPORATIONS

ON

THE STEEL INDUSTRY

PART I

ORGANIZATION, INVESTMENT, PROFITS, AND POSITION OF UNITED STATES STEEL CORPORATION

JULY 1, 1911

LETTER OF SUBMITTAL.

DEPARTMENT OF COMMERCE AND LABOR,
BUREAU OF CORPORATIONS,
Washington, July 1, 1911.

SIR: I have the honor to submit herewith Part I of a Report on the Steel Industry. This part deals with the organization, investment, profits, and position in the industry of the United States Steel Corporation. Additional parts will be submitted later dealing with costs and with prices.

The basic industry of steel making affects the whole people of the United States. Its organization is a matter of public concern (not merely of private interest), and a great national resource, iron ore, lies at the foundation of the business.

The dominant concern is the United States Steel Corporation. There is here set forth (*a*) the causes of the formation of the Corporation; (*b*) its actual investment contrasted with its capitalization; (*c*) its rate of profits; and (*d*) its degree of control in the industry.

The Steel Corporation was the culmination and the result of a remarkable and even dramatic period in the steel industry. Until about 1898 the bulk of the business was distributed among a very considerable number of concerns. There was sharp competition, modified by frequent pools and price agreements of greater or less duration and effectiveness.

In 1898 began an era of great consolidations, with capitalizations ranging from $30,000,000 to $100,000,000, usually mergers of many smaller companies. In most of these, as in the earlier price agreements, the ruling motive was the removal of competition.

They did not, however, finally eliminate competition. On the contrary, a broad movement at once became apparent which threatened competition on a larger scale and probably more severe than any in steel history. This was the process known as "integration."

The situation in 1899–1900 was as follows: There were three great companies—the Carnegie Company, the Federal Steel, and the National Steel—dominating the production of crude and semifinished steel. This may be called the "primary" group. Six other large concerns—the American Steel and Wire, American Tin Plate, American Steel Hoop, American Sheet Steel, National Tube, and American Bridge—severally controlled these lighter finished products. These formed the "secondary" group.

But, large as these concerns were, no one of them was entirely self-sufficient. The "secondary" group was dependent on the "primary" for its crude steel; the "primary" largely dependent on the "secondary" for a market for its products. Few were completely "integrated;" that is, few carried through under one control, with the accompanying advantages, the entire industrial process from the ore to the finished product, linking up ore and coal mines, transportation, blast furnaces, steel works, rolling mills, and finished manufacture.

Immediately, however, came the next step. These great concerns almost simultaneously began the final linking up of the chain of production. Once begun by one concern, others followed in self-defense. The "secondary" companies began to reach back, acquiring ore reserves and crude steel plants. For example, in 1900 the Steel and Wire Company, whose supply of materials had previously been purchased mainly from the Carnegie or the Federal company, planned to make its own steel; likewise the National Tube Company. The "primary" concerns, finding these their chief customers turning into rivals, retaliated by reaching forward to the manufacture of finished products.

Paramount in importance was the ore. The recognition of that importance came strangely late, but, once recognized, it became an axiom that no large concern could stay in the business unless fortified by its own ore reserves. By 1900 the bulk of the Lake ores was in the hands of less than a dozen companies, with a similar concentration in coking coal.

Such efforts on the part of these great concerns, in striving each to "integrate," to make itself wholly independent, threatened to result in a great and sudden increase and duplication of the steel producing and finishing capacity of the country, and to involve them also in an invasion of each other's business.

Thus there was suddenly revealed to the industry what the trade press at the time called "the impending struggle of the giants," a contest between great concerns who under such circumstances might be forced to work out, in rigorous competition, the survival of the fittest.

Such were the conditions in the steel industry in 1900. The spark that lighted the train was the threat of the Carnegie Company to erect a great tube plant near Cleveland, thus invading the field of finished manufacture.

Steel men and the various associated financial interests regarded this situation with much alarm. In such competition they saw a great danger to their businesses, especially to the profitable quasi monopolies in certain branches of the trade. In averting it they also saw a great opportunity. The extraordinary era of industrial expansion was still on; the public were still eagerly absorbing large

issues of securities. By merging these conflicting interests into a great corporation, the threatened "steel war" would be averted, and great profits realized from the flotation of securities.

With amazing swiftness, in a few weeks, the United States Steel Corporation was thus organized, and began business on April 1, 1901. Its total capitalization was a little over $1,402,000,000 (including bonds). It is strictly a "holding" company—that is, it does not mine, manufacture, transport, or sell; it simply owns the stock (as a rule all the stock) of its constituent concerns. The concerns acquired were as follows:

Acquired 1901:
- Carnegie Company (of New Jersey).
- Federal Steel Company.
- National Steel Company.
- American Steel and Wire Company.
- American Sheet Steel Company.
- American Tin Plate Company.
- American Steel Hoop Company.
- American Bridge Company.
- National Tube Company.
- Bessemer Steamship Company.
- Shelby Steel Tube Company.
- Lake Superior Consolidated Iron Mines.

Acquired subsequently:
- Union Steel Company (1902).
- Clairton Steel Company (1904).
- Tennessee Coal, Iron and Railroad Company (1907).

Thus competition between these concerns was eliminated, while enormous profits were made from the flotation of securities, with, also, an unparalleled stock commission to the underwriting syndicate, which netted a clear profit of about $62,500,000 in cash.

At its formation the United States Steel Corporation (referred to herein as the "Corporation") controlled about two-thirds of the country's production of crude steel, and from one-half to four-fifths of the principal rolled steel products. It comprised ore, coal, limestone, natural gas, railway and steamship companies, blast furnaces, steel works, rolling mills, finishing plants, and various other properties. It was thus a thoroughly integrated concern, from ore to finished products.

There remained outside the merger a number of great companies of the primary sort, such as Jones & Laughlin, the Pennsylvania, Cambria, Lackawanna, Republic and Colorado Fuel and Iron companies, and numerous concerns of the secondary type. While overshadowed by the Steel Corporation, these included strong, efficient, and growing businesses, furnishing a basis for vigorous competition.

INVESTMENT AND CAPITALIZATION IN 1901.

The Steel Corporation is the greatest industrial concern in the United States, with the largest properties, and of international importance. It is the most conspicuous example of the modern corporate organization of great businesses. As such, the relation of its investment to its capitalization and to its earning power are matters of public concern. The Corporation itself has recognized this fact in its public reports, and has also furnished very extensive information to the Bureau.

The Corporation was organized with (in round numbers) 510 millions of preferred stock; 508 millions of common stock; 303 millions of Corporation bonds, and about 81 millions of underlying and miscellaneous obligations; a total of over 1,402 million dollars.

Speaking broadly, such capitalization amounted to the claim, the representation, that there was a value in this concern which would justify a fair business return on this capitalization. The Bureau finds, on the contrary, that in 1901 the fair market value of its tangible property was about 700 million dollars, slightly less than one-half its capitalization. The other half, the excess of about 700 million dollars, is thus separated and stands out, embodying the essential public questions raised by the Bureau's analysis of its investment. In so far as that excess represented value in 1901, it was value due either to increased earning power from elimination of competition; concentrated ownership of the basic natural resources, iron ore and coal; or, in some degree, integration efficiency.

When such values are capitalized into dividend or interest bearing securities, they involve important public problems. They are merely another name for price policy, and the whole public is ultimately concerned in steel prices. For that sufficient reason the bulk of this part of the report is devoted to an analysis of the Corporation's investment.

Three separate methods have been used in valuing its assets in 1901: (*a*) By historical study of the formation of constituent concerns; (*b*) by market values of the securities of constituent concerns; (*c*) by detailed estimates of physical properties, classified by departments of business. By the first method the valuation is $676,000,000; by the second, $793,000,000; and by the third, $682,000,000. None of these figures includes any merger, integration, or monopolistic factors arising from the combination of 1901. It is precisely the object of the Bureau to distinguish such values from ordinary property value.

The first valuation rests chiefly on evidence that the tangible property of most of the constituent concerns did not exceed the preferred stock. A cash option price was usually fixed by their promoters, and

the original owners could take this, or an equal amount of preferred stock, with a bonus in common stock, in the new combinations.

This was the case with the National Steel, American Tin Plate, American Sheet Steel, American Steel Hoop, American Steel and Wire, National Tube, and American Bridge companies. The Federal Steel Company's property somewhat exceeded its preferred stock. In the Carnegie Company, reliable book values indicate that its tangible assets did not exceed its bond issue. The property of the Lake Superior Consolidated Iron Mines was taken as equal to the par value of its stock.

This gives the valuations at the dates of organization. Adding now the surplus earnings of these concerns up to April, 1901, plus the new cash provided for the Corporation, and sundry miscellaneous obligations representing property, gives the total stated above, $676,000,000.

Valuation by market prices of the securities of constituent companies (second method) gives about $793,000,000, or $117,000,000 more than the preceding valuation. Such excess is natural, as this method necessarily covers all property, including intangible merger values in these consolidations prior to the Steel Corporation.

The valuation by departments (third method), the most detailed and conclusive, was as follows:

Manufacturing properties, including blast furnaces	$250,000,000
Transportation properties	91,500,000
Coal and coke properties	80,000,000
Natural gas and limestone properties	24,000,000
Current assets	136,500,000
Ore properties	100,000,000
Total	682,000,000

In July, 1902, in defending its capitalization, the Corporation itself made an estimate similarly classified. If we omit iron-ore properties in each case, that estimate exceeded the third valuation by the Bureau by about $175,000,000, or 30 per cent. But in ore the Bureau's valuation was $100,000,000, while the Corporation's was $700,000,000, seven times as great, a difference of $600,000,000. Thus the ore reserves, the dominant factor in the steel industry, are, in this valuation of its assets by the Steel Corporation, made to stand for the excess of capitalization over value of tangible assets.

And it is true, as is thus tacitly assumed by the Corporation itself, that in these ore holdings, under the present status of ownership and control, there exists an earning power and a control of the industry on which rest largely those ultimate intangible merger values which must be invoked in any attempt to justify its great capitalization.

The determination of the ordinary market value of this ore in 1901 segregates such ordinary value from the peculiar merger and combination values evidently attributed to it by its owner. The Bureau's

valuation of $100,000,000 for the ore was reached by a study of market prices for similar properties about 1901; from the price paid by the Corporation for a large part of its own holdings; and from a calculation of the "present worth" of the royalties paid on leased ore. There was a marked agreement in the results by these various methods, and it is certain that $100,000,000 is a liberal figure.

To sum up: The actual market value of the Steel Corporation's entire tangible properties at its formation, omitting all factors of merger, integration, and concentration, was not over $700,000,000, just about one-half its capitalization.

The Bureau does not assume to say that the capitalization should have been one-half what it was, or indorse at this time any particular theory of capitalization. It has simply separated the market value of physical property in this vast concern from value based on earning power derived from intangible factors. It has defined these intangible factors and pointed out their peculiar relationship to price policy and the public interest, to wit, merger value, integration value, monopolistic value, and above all the incalculable industrial power that rests on the control of the bulk of the available iron ore of the country.

1901–1910.

INCREASES IN PROPERTY.—Since its formation, the Corporation, from surplus earnings (allowing for depreciation and changes in securities), has made good much of the original excess of its capitalization over tangible property. That excess in 1901 was about 700 million dollars, or 100 per cent, and in 1910 only about 280 million dollars, or 24 per cent. The total tangible value in 1910 was 1,187 million dollars. As in 1901, there is omitted here all the merger values heretofore referred to, and all appreciation of natural resources above the actual cost thereof to the Corporation.

PROFITS.—The rate of profit has been calculated, not on the Corporation's capital stock, but on the total investment as computed by the Bureau. Operating, administrative, and general expenses, as well as taxes, have been deducted from earnings; also true depreciation, a matter of some intricacy. The Corporation's allowance for depreciation, including mineral exhaustion and obsolescence, has exceeded a necessary allowance. The Bureau has carefully determined from the records of the Corporation the proper depreciation, and has restored the excess to profits.

Thus arrived at, the average rate of profit on actual investment from April 1, 1901, to December 31, 1910, was 12 per cent. It was highest in 1902, 15.9 per cent, and lowest in 1904, 7.6 per cent. The yearly rates do not indicate any pronounced tendency, but have on the whole slightly decreased.

It must be remembered, however, that 12 per cent profit for one small concern out of many is one thing. Other concerns may make much less. It is a very different thing when, as in this case, one-half of the whole industry has been maintained on the level of a 12 per cent profit.

It must be made entirely clear that this 12 per cent is the rate of profit on the whole investment. Were that part of the investment deducted which may be said to be borrowed money, chargeable only with a low fixed rate of return, the rate on the remainder, on that part which may be considered as put in by the stockholders, would be considerably higher.

POSITION IN THE INDUSTRY.—While in production the Steel Corporation from the beginning has overshadowed its principal rivals, and even exceeded all of its competitors combined, its proportion of the total has materially diminished in the ten years of its operation.

In pig iron production, the Corporation has just about maintained its original position; in 1901, 43.2 per cent; in 1910, 43.4 per cent. But in steel, both crude and finished, it has lost ground; in 1901, 66 per cent of the steel ingots and castings; in 1910, only 54 per cent, notwithstanding great additions to its capacity. Rolled steel products generally show an almost steady loss, especially structural shapes and tin plate. Even in rails there has been no gain.

In short, speaking broadly, as against 60 per cent of all crude and finished steel production in 1901, the Corporation now has not much over 50 per cent, indicating conclusively the continuous presence of strong and increasing independent production. The competition of these independents with the Steel Corporation so far as prices are concerned has been modified by the policy of "cooperation." This will be discussed in a later part of the report.

In efficiency, location of plant, and equipment—in capacity rather than actual production—the Corporation is materially stronger than the foregoing figures indicate, and in case of continued trade depression this strength would probably show itself in increased control. In ownership of railroads for handling its materials it stands in a class by itself. It has a strong but not exceptional position in water transportation. Its control of the best qualities of coking coal is very strong, though modified of late by new processes which make other coal more or less available for coking purposes.

Its position in ore reserves, on the other hand, is much stronger than in any other factor in the business. It is almost impossible, and would be unwise, to attempt any quantitative statement of its proportion of the total ore of the country; but of the Lake ores, on which the present steel industry is based, it has about 75 per cent, and this advantage is materially enhanced by its extensive control of the rail

transportation of the ore from the mines to the Lakes. The so-called Hill lease made by the Corporation in 1907, with an unprecedentedly high rate of royalty and other onerous conditions, is a striking instance of the policy of the Corporation to maintain a high degree of control of ore. This lease covered enormous ore holdings.

There is much significance, also, in the prevailing custom of leasing ore mines under royalty instead of purchasing outright. This system as applied in the Lake ore region, without any effective restrictions as to size of holdings, plainly facilitates concentration of ore property, as it greatly reduces the investment required to control large bodies of ore. It has unquestionably had a large influence in producing the high concentration of control now existing in Lake ores, as well as elsewhere.

Thus, the industry itself rests physically on the ore; the Corporation based one-half its capitalization on the ore; its profits on ore, as will later be shown, are large; and in the ore is its highest degree of concentration and control. The ore, therefore, is of primary significance in the Corporation's dominance, and in that resource chiefly are involved the industry's problems of ultimate public interest.

Very respectfully,

HERBERT KNOX SMITH,
Commissioner of Corporations.

The PRESIDENT.

REPORT OF THE COMMISSIONER OF CORPORATIONS ON THE STEEL INDUSTRY.

Part I.—ORGANIZATION, INVESTMENT, PROFITS, AND POSITION OF THE UNITED STATES STEEL CORPORATION.

SUMMARY.

The principal features of this part of the Bureau's report upon the steel industry are:

1. The marked development of consolidation, culminating in the organization of the United States Steel Corporation.

2. Capitalization by the United States Steel Corporation far in excess of property values. The Bureau's valuation of the tangible assets in 1901 is $682,000,000, as against $1,400,000,000 of issued securities.

3. An analysis of the cost of the subsequent additions to the property of the Corporation, showing a total investment in tangible property on December 31, 1910, of $1,187,000,000, as against $1,468,000,000 outstanding securities.

4. An average rate of profit from 1901 to 1910 on the Corporation's actual investment, as computed by the Bureau, of 12 per cent.

5. An almost continuous decrease in the Corporation's proportion of the output of principal steel products, but a marked increase in its ownership or control of iron-ore deposits.

DEVELOPMENT OF CONSOLIDATION.

PERIOD PRIOR TO 1898 MARKED BY ACTIVE COMPETITION.

Prior to 1898 the iron and steel business of the United States was distributed among a very large number of interests. There was active and general competition. It is true that in the production of crude steel (ingots), semifinished steel (billets, slabs, sheet bars, etc.), and heavy finished steel products, such as rails, plates, and structural material, substantial prominence had been attained by a few companies. Furthermore, there were occasional instances of consolidation, notably the organization of the Illinois Steel Company in 1889

as a merger of several important steel concerns in Chicago and vicinity. The Carnegie Steel Company (Ltd.), moreover, while not generally considered a consolidation, had in its expansion taken on many features of a consolidation. Despite price agreements of more or less significance and duration these large steel-making companies were, as a rule, in active competition. With respect to such finished products as merchant bars, tubes, sheets, tin plate, wire, and wire nails, the number of manufacturers was large and rivalry between them was keen. In short, the distinguishing characteristic of the industry at this period was competition.

Another feature of the industry at this period was that most of the concerns making the lighter finished products just mentioned did not produce their own steel, but purchased it from the larger steel-making concerns. Again, even some of the largest of these steel-making concerns did not produce all of their pig iron, but bought extensively from "merchant" furnaces, and many of them were dependent upon the open market for their supplies of raw materials—ore and coal. On the other hand, the larger steel concerns, as a rule, did not engage extensively in the manufacture of finished lines, except for heavy and comparatively simple products, like rails, structural material, and plates, but instead sold a large part of their output of crude and semifinished steel to others for such elaboration. In other words, integration of the industry had not been carried very far at this early date.

RAPID PROGRESS OF CONSOLIDATION AFTER 1898.

The late nineties, however, witnessed a revolution in the business. One after another, great consolidations were formed in the principal branches of the industry. The result was that the beginning of 1900 found a very substantial proportion of the manufacture of crude and semifinished steel and of such finished products as rails, structural steel, plates, merchant bars, wire rods and wire products, sheets, tin plate, and tubes under the control of less than a dozen important consolidations.

One of the earliest of these mergers was the Federal Steel Company, incorporated in September, 1898. This was a consolidation of the Illinois Steel Company in the Chicago district; the Lorain Steel Company farther east; the Minnesota Iron Company, one of the largest ore concerns in the Lake Superior region (which also owned an important ore railroad and a fleet of ore vessels); and the Elgin, Joliet and Eastern Railway. Integration of the successive stages of production was the chief object of this consolidation. The issued capital stock of the new company was almost $100,000,000; and it secured, roughly, 15 per cent of the steel-ingot production of the country.

The National Steel Company, formed early in 1899, with $59,000,000 issued capital stock, acquired the principal crude-steel manufacturing companies west of the Alleghenies (chiefly in Ohio) other than those owned by the Federal Steel Company and by the Carnegie Steel Company (Ltd.). Its ingot capacity was approximately 12 per cent of the country's total.

The Carnegie interests a little later underwent an important reorganization, which resulted in the incorporation in March, 1900, of the Carnegie Company of New Jersey, with a capitalization of $320,000,000 (half of which was in bonds) to take over the old Carnegie Steel Company (Ltd.), and also the H. C. Frick Coke Company. Inasmuch as these interests had long been affiliated, this reorganization was not a consolidation of formerly competing concerns in the same sense as some of the others here noted. At the time of the formation of the New Jersey concern the Carnegie interests controlled fully 18 per cent of the ingot production of the country.

These three concerns, the Carnegie, the Federal, and the National steel companies, were engaged chiefly in the manufacture of crude and semifinished steel for the trade, or of the heavier finished steel products, such as steel rails, beams, plates, and bars.

There was also a second group of consolidations, chiefly engaged in the manufacture of products which, while comparatively simple, involved somewhat more advanced processes of manufacture. One of these, the American Tin Plate Company, was organized in December, 1898, with $46,000,000 issued capital stock. It acquired practically every tin-plate concern in the country, giving it an almost complete monopoly of that branch of the industry. The American Steel and Wire Company, organized a month later, with $90,000,000 capital stock, secured all the leading concerns engaged in the production of wire, wire nails, and other wire products. The National Tube Company, formed in June, 1899, with $80,000,000 capital stock, acquired concerns controlling the bulk of the production of iron and steel wrought tubing. A somewhat smaller consolidation of 1899 was the American Steel Hoop Company, capitalized at $33,000,000, a merger of the principal concerns making hoop steel, especially cotton ties.

Early in 1900 the American Sheet Steel Company was organized, with $49,000,000 issued capital stock, to take over the principal manufacturers of steel sheets. The American Bridge Company, formed in April, 1900, with $61,000,000 issued capital stock, controlled the great bulk of the heavy bridge construction business of the country, aside from other structural work. The Shelby Steel Tube Company, a less important concern incorporated in February, 1900, with $13,150,000 issued stock, may also be mentioned. It had substantial control of the seamless tubing industry.

All of these companies were later merged into the United States Steel Corporation.

Certain other important consolidations should be also mentioned, which did not enter that combination. One of these was the Republic Iron and Steel Company, organized in 1899, with $47,500,000 issued stock, a consolidation of the principal manufacturers of rolled iron products in the Middle West; it also had some southern plants. In the South there was the Sloss-Sheffield Steel and Iron Company, with $14,200,000 issued capital stock, a consolidation of various furnace interests in Alabama. This company did not make steel.

Concurrently with the formation of these consolidations there occurred an expansion of several older concerns. Thus the Pennsylvania Steel Company, which had an important plant in eastern Pennsylvania and another near Baltimore, in 1901 increased its issued capital stock from $6,500,000 to $27,250,000 and materially extended its manufacturing operations. The Cambria Steel Company was organized in 1898 to lease the old Cambria Iron Company with a plant at Johnstown, Pa. It had an issued capital stock of $16,000,000, this being later increased to $45,000,000. The Lackawanna Iron and Steel Company, capitalized at $3,750,000, determined at the close of 1899 to abandon its old plant at Scranton, Pa., and was succeeded in 1902 by the Lackawanna Steel Company, of New York, with $40,000,000 authorized capital stock (since increased). This company erected a new and much larger plant on Lake Erie, near Buffalo. The Jones & Laughlin interests, whose plants were in the Pittsburg district, reincorporated in 1902 as the Jones & Laughlin Steel Company, with $20,000,000 capital stock (since increased to $30,000,000 aside from a large issue of bonds).

Aside from these reorganizations of leading iron and steel concerns, mention may be made of a steady expansion in operations by such old establishments as the Colorado Fuel and Iron Company in the West and the Tennessee Coal, Iron and Railroad Company in the South. These concerns were, moreover, virtually reorganized at a somewhat later date.

All of these concerns, except the Tennessee company (acquired in 1907), have remained outside the Steel Corporation.

GENERAL CAUSES OF CONSOLIDATION.

The transformation in the steel industry, thus far described, was simply one phase of a general movement toward industrial consolidation at the time. This movement was characterized in varying degree by three especially important features, as follows:

(1) The restriction of competition through combination.

(2) Integration; that is, the linking up of productive processes through acquisition under one control of raw materials and manu-

facturing plants (and in some cases transportation facilities) and through extensions and coordination of manufacturing processes.

(3) The creation of a great amount of inflated securities.

The influence of all these factors should be kept clearly in mind. The first, namely, the restriction or elimination of competition, was the most important. Undoubtedly it was the principal cause of most consolidations in the steel industry. Profits had been sharply reduced by the severe competition which accompanied the depression of the middle nineties, and steel manufacturers were attracted to consolidation as a means of increasing their returns. Indeed, the organizers of some of these consolidations have admitted that the desire to control or eliminate competition was the chief reason for combination.

However, a desire to secure greater economies and advantages through integration undoubtedly played an important part in the movement. This was especially true of the steel business, where such integration has been introduced to an exceptional degree, extending from ownership and production of the primary raw materials to the manufacture of the finished product. A conspicuous feature of this was the acquisition by large iron and steel manufacturers of extensive reserves of raw materials—ore and coal. One of the chief advantages to be gained was the saving of the payment of profits to others on such materials. In the case of ore in particular this was an important consideration because of the rather effective control of ore prices from time to time by ore pools. Whereas in the beginning of the nineties most manufacturers, as already stated, were largely dependent upon the open market for their requirements of ore, by the close of the decade, as a result of this change, the control of large ore reserves had come to be regarded as essential to successful continuance in the industry. The great bulk of the iron-ore deposits of the Lake Superior region had by 1900 passed under the control of less than a dozen interests, chiefly steel-making concerns. The most desirable coking-coal fields of the East had been secured, largely by the same steel-making interests, with almost equal rapidity.

Along with this acquisition of supplies of raw materials went a marked integration of manufacturing processes.

Such integration and coordination of the industry, aside from eliminating the payment of profits to others, made possible the introduction of many economies in the manufacture of steel products, particularly in the saving of fuel and labor. In considering the general causes which led to consolidation in the steel business, therefore, this element of integration should be given due weight.

Restriction of competition and integration of industry were, however, by no means wholly responsible for the rapid progress of consolidation. The creation of new securities for the sake of a stock-

market profit was a very important consideration. The public demand for such securities was unusually active at this time. Indeed, the proportions of this movement were largely determined by the opportunity to market the securities thus created. So long as the demand for such issues was maintained the supply was steadily increased.

The importance of this stock-market factor in the consolidation movement, whether in the iron and steel industry or in other industries, is too often overlooked. Consolidation, while in large measure an outgrowth of technical and industrial conditions, was by no means exclusively so. Instead, there was frequently a marked reluctance on the part of owners to dispose of the businesses which they had built up, and in many cases the controlling inducement to sell out was the enormous price obtainable in the securities of these great consolidations.

The consolidation of wire interests is a conspicuous illustration of the great inflation of capitalization thus brought about. In the organization of the American Steel and Wire Company of Illinois, in March, 1898, each $100 of the stock of the Consolidated Steel and Wire Company, one of the constituent concerns (and itself a consolidation of seven plants) received $175 of preferred stock and $175 in common stock of the new company, or $350 of new securities for every $100 of old. Undoubtedly the stock of the Consolidated Steel and Wire Company was worth considerably more than par from the standpoint of earnings. A few months later each $100 of the preferred stock of the American Steel and Wire Company of Illinois received $100 in preferred stock and $60 in common stock of the American Steel and Wire Company of New Jersey, while each $100 of the Illinois company's common stock received $120 in common stock of the new concern. Thus each $100 stock of the old Consolidated company became $490 in the stock of the New Jersey concern. (Still later, in the merger of the American Steel and Wire Company of New Jersey into the United States Steel Corporation, there was some further increase.)

A noteworthy feature of this general inflation of securities was the heavy stock commissions received by the promoters of these consolidations as their compensation. In the case of the American Tin Plate Company $10,000,000 of common stock admittedly went to the organizers, and in the case of the National Steel Company and also of the American Steel Hoop Company at least $5,000,000. In the organization of the American Steel and Wire Company $11,600,000 of the common stock went to the promoters and underwriters. In the organization of the National Tube Company $20,000,000 of common stock appears to have been issued as a commission to the promoters or bankers, and in the case of the American Bridge Company

at least $7,250,000 of common stock, and possibly twice that amount. The underwriting syndicate of the Federal Steel Company received approximately $5,680,000 preferred stock and $8,400,000 of common stock in return for approximately $4,800,000 cash and their services in organizing that concern. There were similar large payments in the case of some others of these steel consolidations. In the case of the Carnegie Company apparently no commission was paid, the reorganization of this concern being handled by the former owners without the assistance of outsiders.

Out of the proceeds of such stock commissions frequently some organization expenses had to be met, but in the main these commissions were intended as compensation to the promoters of these consolidations. It should be noted that the size of these commissions frequently was fixed by the promoters themselves, since they determined the capitalization of the consolidated company.

CAUSES OF THE FORMATION OF THE UNITED STATES STEEL CORPORATION.

The fundamental causes for the formation of the United States Steel Corporation were substantially the same as those which gave rise to the earlier consolidations already described, namely, restriction or prevention of competition; integration; stock inflation. The same causes, though in varying degree, were here present, and the same processes were here repeated, though in a more comprehensive manner and on a vaster scale.

A striking and surprising result of the consolidation movement in the late nineties, just described, was that while several of the great steel consolidations aimed to and did secure a substantial degree of monopoly of their particular branches of the business, nevertheless competition was not thereby destroyed. Instead, it soon developed that the formation of these great consolidations was likely to bring on an era of competition more severe than any the industry had yet seen. The reason for this is plain. At the bottom, such "particular branches" were not essentially separate. In the commercial and technical development of the business they tended naturally to overlap. In other words, this unforeseen outcome of consolidation was largely due to the tendency of these great concerns to secure greater integration, to make themselves virtually independent in all stages of production from the ore up.

The conditions were quite remarkable. Competition was threatening to break out in much more violent form in the steel industry. On the other hand, the upward swing of business in the United States had not exhausted its vigor, and the readiness of the business world to support vast commercial and financial undertakings was unabated.

Thus the industrial situation presented an extraordinary motive to form a great merger, as well as to avert imminent competition.

The active integration movement, furthermore, presented another very serious consideration. The extensions made by the crude-steel makers into the territory of those manufacturing more finished products, and vice versa, meant not only increased competition, but also a sudden and great increase in the productive capacity for crude steel and steel products, an increase that might place production, for some time at least, far beyond the country's power of consumption. The leading men connected with the steel industry feared such overinvestment in plant, which might, they felt, seriously disturb general industrial and financial conditions. Again, they feared the breaking down of the extremely profitable quasi monopolies already established.

INDUSTRIAL SITUATION.—As these conditions were the most critical factors in the position of the steel industry at the close of 1900 and the beginning of 1901, it is necessary to recite them in some detail.

Taking first what may be called the "primary" group of consolidations, namely, those producing crude and semifinished steel: The Carnegie Company was the most important of these. It depended for marketing its semifinished steel products on other manufacturers for whom these products were raw materials. As to its own raw materials it was quite independent, with vast holdings of iron ore and coking coal, as well as extensive transportation properties.

The Federal Steel Company was in much the same general position as the Carnegie, and integrated to a similar degree, though without quite as strong an organization or financial condition.

The National Steel Company (a "Moore" concern) was, like the other two, partly dependent on other manufacturers for a market for its products, but this company had a peculiar advantage through its intimate relations with the rest of the so-called "Moore" concerns, the Sheet, Tin Plate, and Hoop consolidations. It was also integrated to a degree comparable with that of the other two.

A very important concern closely related to this primary group of steel-making companies was the Lake Superior Consolidated Iron Mines, with great holdings of ore in the Lake region, an ore railroad to the upper Lake ports, and an affiliated fleet of ore vessels. It was not a manufacturing concern.

The "secondary" group consisted of those concerns making the more finished products.

Of these, the American Steel and Wire Company at its organization had a substantially monopolistic control of wire products. It was not, however, strong in its raw materials, namely, steel billets, although subsequent to its organization it did acquire iron ore, coal property,

and a vessel fleet; but it was by no means completely integrated in 1900.

The National Tube Company at its formation controlled the greater part of the country's production of wrought pipe and tubes. Two of its chief plants were fairly well integrated. The company, however, purchased a large part of its crude steel.

The American Bridge Company handled a large part of the country's business of heavy bridge construction, but depended almost entirely on other concerns for its raw material, structural steel, particularly on the Carnegie Company.

The American Sheet Steel, American Tin Plate, and American Steel Hoop companies were all "Moore" concerns. They largely controlled their lines of production, but were integrated to only a small extent. All three, however, being affiliated, as stated above, with the National Steel Company (the crude-steel concern of the "Moore" companies), were thus protected to a certain extent as to the supply of their raw materials.

This general situation was obviously one of transition, of change, in view of the prevailing movement toward complete integration, and the resulting invasion of these great concerns into each other's business field. And the change promptly came. In particular, the so-called "secondary" concerns began to extend their business backward to the production of pig iron and crude steel and the mining of raw materials. This tended to lessen the market and injure the primary concerns, particularly the Carnegie Company, and to a less degree the Federal Steel Company.

For example, the American Steel and Wire Company, the constituent concerns of which had previously bought most of their supply of billets or wire rods from either the Federal Steel Company or the Carnegie company, planned in 1900 to make its own pig iron and steel.

The National Tube Company, which had bought a large part of its raw materials from the Carnegie concern, proposed to erect additional blast furnaces and steel works.

The "Moore" companies (National Steel, Tin Plate, Sheet Steel, and Steel Hoop) were rapidly making themselves independent through the enlargement of the crude steel capacity of the National Steel Company. This latter concern, moreover, secured extensive ore and coal properties and a fleet of Lake ore vessels. The constituent companies of these Moore concerns had formerly bought large amounts of steel from the Carnegie and other "primary" companies.

The obvious result of these extensions was that the Carnegie Company, and to a less degree the Federal Steel Company saw the danger

of the loss of a part of their market for semifinished steel, and the probability that their former best customers would become their rivals. These "primary" concerns, therefore, promptly entered upon a policy of retaliation. The Federal Steel Company prepared to take up the manufacture of several finished products, particularly structural material, tubes, and universal plates. The Carnegie interests also considered building new finishing mills.

Finally, at the close of 1900, the Carnegie interests announced that they would erect an immense tube plant on the shores of Lake Erie. Mr. Carnegie stated that this move was largely the result of the plans of the National Tube Company to provide its own supplies of crude steel.

As already shown, the economic forces at work in the industry at that time, particularly the general tendency toward integration, clearly foreshadowed a period of competition and duplication of capacity. Under these circumstances this aggressive move of the Carnegie interests precipitated a crisis. Conditions in the steel industry were unsettled. Both the daily press and trade journals were actively discussing the coming "battle of the giants."

INTERESTS OF FINANCIERS.—This critical trade situation was intensified because of the importance which the securities of several of these steel concerns had assumed on the stock market. A period of violent competition in the steel industry would inevitably have been followed by a great decline in the value of these securities. This would have been very embarrassing to the financial groups which were behind these consolidations. A more important matter was that the financial backers of some of these steel concerns had extensive commitments in other directions, which might be jeopardized by such an acute struggle in the steel industry. From the standpoint of these financiers, therefore, the situation presented at once a great danger and a great opportunity.

From a financial point of view there were four important groups, which were more or less distinct, namely, "Morgan," "Moore," "Carnegie," and "Rockefeller."

The Morgan group, which included the Federal Steel, National Tube, and American Bridge companies, enjoyed of course the advantage of a strong financial support, but these financial interests were extensively committed in other lines of business, especially in railroad financiering. It may be noted that there were reports at this time that the Carnegie interests were contemplating the construction of a railroad from Pittsburg to the Atlantic seaboard. This threat, if made good, would have created an extremely disturbing factor in the trunk-line situation.

The Moore concerns, already described, were the most heavily overcapitalized and suffered from a distinctly speculative backing.

The Carnegie interests were apparently in the best position of any of these groups to meet a price war. They had abundant capital and credit, and their securities did not figure on the stock market, while their organization and management were unequaled.

The Rockefeller interests were entirely concerned with the production and transportation of iron ore. Their financial resources were of course abundant for any emergency. Their stocks did not figure to any considerable degree on the exchanges.

The American Steel and Wire Company apparently was not closely affiliated with any of the foregoing groups.

It is evident, therefore, that, both from the point of view of the iron and steel industry and that of the stock market, there was a great inducement to avert the threatened outbreak of violent competition between these rival interests. A steel war might have meant the sudden end of the extraordinary period of speculative activity and profit. On the other hand, an averting of this war, and the coalition of the various great consolidations, if successfully financed, would be a tremendous "bull" argument. It would afford its promoters an opportunity for enormous stock-market profits through the sale of its securities. The advantages to these interests also, through the concentration of profits in different stages of the industry under a single control, were considerable, and there was undoubtedly some advantage to be gained through the further integration which such a consolidation would render possible.

It was clear to everyone that no consolidation of this sort could be made successful unless it included the Carnegie Company, which was the most powerful factor in the situation, which had long been noted for its aggressive tactics, and which, as above shown, had precipitated this crisis. Moreover, there can be little doubt that many interests in the steel industry regarded Mr. Carnegie's personal influence as a menace to themselves and their businesses, and desired to secure his retirement from the trade. The primary solution of the situation, therefore, from the standpoint of these interests, was to buy out Mr. Carnegie. It was realized that this would be an extremely expensive transaction, which would require the cooperation of the leading interests. The purchase of that concern obviously could not be financed with cash. Arrangements were, however, effected with Mr. Carnegie for taking over his large holdings in his company in exchange for bonds of the new consolidation.

The threatened "steel war" was thus averted after only a few weeks of negotiation, as a result of which the United States Steel

Corporation was formed, and acquired, on April 1, 1901, or shortly thereafter, the following concerns:

Acquired April 1, 1901:
- Carnegie Company (of New Jersey).
- Federal Steel Company.
- American Steel and Wire Company.
- National Tube Company.
- National Steel Company.
- American Tin Plate Company.
- American Steel Hoop Company.
- American Sheet Steel Company.

Acquired subsequently in 1901:
- American Bridge Company.
- Lake Superior Consolidated Iron Mines.
- Bessemer Steamship Company.
- Shelby Steel Tube Company.

Further important acquisitions were made later, as noted hereafter.

By this merger substantially two-thirds of the steel-ingot production, and a proportion of the principal rolled-steel products of the country, varying from one-half to four-fifths, or more, was transferred to the control of a single concern. The Steel Corporation's share of the total pig-iron production was only about 43 per cent. However, of the output of steel-making pig iron of the country, the Corporation's share was not less than 58 per cent.

The position taken by the Steel Corporation is that this great aggregation of property was in the main an assembling and coordination of different branches in the industry, the primary object of which was to secure greater efficiency and integration, and, of course, saving of the payment of profits to others. Their contention is that most of the constituent concerns of the Corporation were not in actual competition with one another, and they are disposed to minimize the restriction of competition brought about as a result of this great merger.

It is true that certain of the constituent consolidations, as, for instance, the American Steel and Wire Company and the National Tube Company, were not competing with one another at this particular period. However, there was active competition between the three principal crude-steel concerns—the Carnegie Company, the Federal Steel Company, and the National Steel Company—while these concerns, to some extent at least, were in competition with some of the large consolidations making the lighter finished products. Moreover, the fact should not be lost sight of that nearly all of the latter class of consolidations were originally created with the intention of restricting competition. A more important matter is that a period of violent competition among all of these concerns was imminent at this juncture, and that the United States Steel Corporation was organized for the specific purpose of preventing the new competition thus threatened as well as eliminating that already

Corporation was formed, and acquired, on April 1, 1901, or shortly thereafter, the following concerns:

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- Shelby Steel Tube Company.

Further important acquisitions were made later, as noted hereafter.

By this merger substantially two-thirds of the steel-ingot production, and a proportion of the principal rolled-steel products of the country, varying from one-half to four-fifths, or more, was transferred to the control of a single concern. The Steel Corporation's share of the total pig-iron production was only about 43 per cent. However, of the output of steel-making pig iron of the country, the Corporation's share was not less than 58 per cent.

The position taken by the Steel Corporation is that this great aggregation of property was in the main an assembling and coordination of different branches in the industry, the primary object of which was to secure greater efficiency and integration, and, of course, saving of the payment of profits to others. Their contention is that most of the constituent concerns of the Corporation were not in actual competition with one another, and they are disposed to minimize the restriction of competition brought about as a result of this great merger.

It is true that certain of the constituent consolidations, as, for instance, the American Steel and Wire Company and the National Tube Company, were not competing with one another at this particular period. However, there was active competition between the three principal crude-steel concerns—the Carnegie Company, the Federal Steel Company, and the National Steel Company—while these concerns, to some extent at least, were in competition with some of the large consolidations making the lighter finished products. Moreover, the fact should not be lost sight of that nearly all of the latter class of consolidations were originally created with the intention of restricting competition. A more important matter is that a period of violent competition among all of these concerns was imminent at this juncture, and that the United States Steel Corporation was organized for the specific purpose of preventing the new competition thus threatened as well as eliminating that already

Rosena Furnace Company, New Castle, Pa.
* National Mining Company (33⅓ per cent).[3]
* Chapin Mining Company.
* Winthrop Iron Company.
* Standard Connellsville Coke Company, Pleasant Unity, Pa.
* Continental Coke Company, Uniontown, Pa.
* Mutual Transportation Company.
* Menominee Transit Company.

* Indicates stock ownership in 1901.
† The other one-sixth interest in this concern was directly acquired by the
[1] Organized by and in interest of Federal Steel Company. It may also be not
not acquired from other interests.
[2] Acquired blast furnaces and steel works only. Such a division of plants w
[3] National Mining Company was promoted and organized in interest of Natio
[4] Promoted and organized in interest of American Steel and Wire Company
[5] Acquired machinery and equipment only.
[6] Acquired tin-plate machinery and equipment only. A part of the propert
[7] Acquired sheet-mill machinery and equipment only.

existing among these concerns. The opportunity for reaping a huge promoter's profit out of this situation undoubtedly was an important consideration in bringing about the merger. Nevertheless the primary object was the restriction or prevention of competition.

Several of the largest iron and steel concerns which were not absorbed by the Steel Corporation were at that time engaged in the manufacture of special products which did not bring them into sharp conflict with the Corporation, or confined their activities to a more limited field than that of the Corporation. The failure of the Corporation to include some of these concerns was, therefore, less significant than might at first sight appear. However, several of the concerns remaining outside, notably the Jones & Laughlin interests, the Lackawanna Iron and Steel Company, the Republic Iron and Steel Company, the Pennsylvania Steel Company, and the Cambria Steel Company, were important rivals of the Corporation. The Colorado Fuel and Iron Company in the West, on account of its geographical location, was not a serious competitor. Nevertheless, negotiations were entered into shortly after the organization of the Steel Corporation for the acquisition of that concern, but were not consummated. The Tennessee Coal, Iron and Railroad Company in the South was at this time chiefly concerned with the production of foundry pig iron. As noted below, this concern was acquired by the Steel Corporation in 1907.

DESCRIPTION OF THE UNITED STATES STEEL CORPORATION IN 1901.

Some idea of the magnitude of the Steel Corporation, as well as of its character as a consolidation of combinations, is brought out by Table 3, facing page 107, which gives its principal constituent companies in 1901, with the subsidiaries of these at that date, or the principal properties, where the ownership was in fee instead of by stock.

At its organization the Corporation acquired steel works with an annual capacity of over 9,400,000 tons of crude steel and more than 7,700,000 tons of finished rolled steel products; several railroads, with over 1,000 miles of main track and a large mileage of second track and sidings; a fleet of 112 Lake ore vessels; iron-ore reserves in the Lake region estimated at about 500,000,000 to 700,000,000 tons (see p. 28); more than 50,000 acres of coking-coal lands with a great acreage of other grades of coal, not to mention numerous miscellaneous properties.

SUBSEQUENT ACQUISITIONS AND ADDITIONS.—Since its organization the Steel Corporation has very greatly increased the capacity of its plants and the scope of its operations. The bulk of this increase has been due to the construction of new plants, or the enlargement of old ones, the acquisition of additional ore and coal properties, and similar extensions, such additions being paid for largely from earnings.

The Corporation, however, has made three important acquisitions of competing concerns since 1901. The first of these was the purchase in December, 1902, of the Union Steel Company, which had just absorbed the Sharon Steel Company. This concern was located in the Pittsburg district and was an aggressive competitor in several branches of production in which the Steel Corporation was actively engaged. It also had a valuable ore property. The company was backed by very influential interests, including H. C. Frick, and it was desired by the Steel Corporation for these reasons even more than for its properties.

In May, 1904, the Corporation purchased the Clairton Steel Company, a somewhat smaller concern. It was in the hands of receivers at the time of its acquisition.

The third and most important of these acquisitions was the Tennessee Coal, Iron and Railroad Company, in 1907. By the purchase of this company the Steel Corporation secured the leading factor in the southern iron and steel industry (the Tennessee concern having by this time erected steel works of considerable capacity), and, what was of more consequence, the extensive ore and coal reserves of that company. The purchase of this concern, which was made in the height of the panic of 1907, had been preceded by unsuccessful attempts on the part of other interests to use it as a basis of a rival consolidation which would also include the Sloss-Sheffield Steel and Iron Company and the Republic Iron and Steel Company.

CAPITALIZATION AND INVESTMENT OF THE UNITED STATES STEEL CORPORATION IN 1901.

The relation of the assets and actual investment of this great combination to the securities issued is of high public importance in estimating both the status of the Corporation itself, the reasonableness of its profits, and its other effects on the interests of the public.

The Corporation in 1901, after its organization had been fairly completed (and including the acquisition of the Shelby Steel Tube Company, which did not occur until August), had a total outstanding capitalization, including underlying bonds, sundry mortgages, and purchase-money obligations (but excluding $535,407 unacquired stock of subsidiaries), as follows:

Preferred stock	$510,205,743
Common stock	508,227,394
Steel Corporation bonds	303,450,000
Underlying bonds	59,091,657
Purchase-money obligations and real-estate mortgages	21,872,023
Total	1,402,846,817

For the purposes of the Bureau's investigation it was essential to make an analysis of the actual value of the physical properties of the Corporation in 1901, upon which this huge capitalization was based. The Bureau has made such an analysis by three different methods:

First, by organization history—that is, from historical study of the organization and investment of the constituent concerns at the time of their formation.

Second, by market value of securities—that is, by computation of the public estimate of the value of the properties of those constituent concerns as reflected in the market prices of their securities.

Third, by departments of business—that is, by a detailed estimate of the physical properties of the company by departments of its business, computed from all available data and with an especially elaborate calculation of the value of the ore property.

The valuation arrived at by the Bureau by the first method, which is chiefly for tangible assets, is approximately $676,000,000; the valuation arrived at by the second method, which includes intangible considerations, is approximately $793,000,000; the valuation arrived at by the Bureau by the third and more precise method, this being for tangible assets only, is approximately $682,000,000.

None of these valuations includes any value imparted to these properties by the very act of merging them into the Steel Corporation and treating them as a unified going concern. Obviously such a value must be largely due to the element of concentration of control and consequent elimination of competition, which value should not be included in the present discussion. (See p. 50.)

It may be noted at this point that the United States Steel Corporation is a holding company, practically its entire property consisting of the securities of a number of subsidiary concerns, some of which, moreover, in turn own stocks in underlying concerns. For the sake of brevity and clearness in this report, however, it will be convenient to refer to the physical properties thus controlled as though they were directly owned by the Corporation itself. For all practical purposes such is indeed the fact.

ESTIMATED VALUE OF CORPORATION'S PROPERTY, BASED ON STUDY OF ORGANIZATION OF CONSTITUENT CONCERNS.

The Bureau's estimate of the value of the Steel Corporation's property, arrived at by a study of the organization of the constituent concerns—approximately $676,000,000—includes the entire physical property and not merely the equity over and above bonded indebtedness (which indebtedness, for these constituent concerns, is assumed to represent an equivalent investment in property). It includes only a negligible allowance for intangible considerations.

In the main the valuations arrived at are based upon the method by which these constituent companies were organized. A very common basis of organization was to determine upon cash prices for the plants acquired and then to give the vendors (the owners of the plants) the option of taking the price in cash or of taking preferred stock up to the full amount of the cash option figure, with a large bonus in common stock. New cash capital frequently was raised on the same terms. The result of this method of organization was that the preferred stock of the consolidated concern at its original organization represented practically the entire value of the property acquired—certainly the entire value of the physical assets.

This was the method followed in the four "Moore" companies, viz, National Steel Company, American Tin Plate Company, American Sheet Steel Company, and American Steel Hoop Company.

In the case of at least three of these companies a considerable block of the common stock was issued to the promoters as a "commission" for their services; in the case of the American Sheet Steel Company apparently some preferred stock was also issued for this purpose.

In the organization of the American Steel and Wire Company the preferred stock likewise covered the entire value of the physical property acquired at the time of organization, all of the common stock being issued either as a bonus or for underwriting services. The same method, substantially, was followed in the organization of the National Tube and American Bridge companies.

The common stock of the Federal Steel Company, however, appears to have had some property value back of it. Taking its principal subsidiary concerns, the Illinois Steel Company and the Minnesota Iron Company, at their book values—roughly $19,250,000 and $22,950,000, respectively—and allowing $4,000,000 to cover its Lorain and Johnson companies (this being approximately the price paid, reduced to a cash basis), and $4,200,000 for the $6,000,000 stock of the Elgin, Joliet and Eastern Railway, the total indicated property value (over and above underlying indebtedness), including the net amount of new cash capital provided, was, roughly, $62,100,000 against which the Federal company issued, approximately, $99,700,000 of stock. The Bureau has allowed as an outside figure a total of $63,000,000. The method of arriving at this valuation is carefully explained in the text of the report. While made independently, it very closely agrees with the average stock market valuation of Federal Steel stocks during the period from September, 1898, to December 31, 1900.

The valuation of the Carnegie Company's property is more difficult because the organization of this concern was arranged privately by the former owners, and because its securities were never actively dealt in. The book value of the property of the old Carnegie Steel Company

(Ltd.) (which had approximately a 29½ per cent interest in the H. C. Frick Coke Company) on March 1, 1900, or just before these two concerns were transferred to the Carnegie Company of New Jersey, was, roughly, $81,500,000. This book value, while correct for some of the properties of the company, undoubtedly understated the value of others, particularly the item of "investments." Using such data as were available, the Bureau has arrived at the conclusion that the tangible property of the Carnegie concern in March, 1900, was not in excess of the $160,000,000 bond issue (the company also issued $160,000,000 of stock). A suggestive fact is that in organizing the New Jersey company $125,000,000 of bonds, and a like amount of stock, were allotted for the various Carnegie steel properties, and $35,000,000 of bonds and an equal amount of the stock for the H. C. Frick Coke Company. This clearly is analogous to a similar distribution of preferred and common stock in the case of several of the other constituent concerns of the Steel Corporation. These terms, in connection with other evidence presented in the body of the report, indicate that the Carnegie interests issued bonds up to substantially the full amount of tangible property, leaving the stock to cover intangible considerations.

The Lake Superior Consolidated Iron Mines has been entered in the Bureau's estimate at a value equal to the par of its outstanding stock, approximately $29,400,000. This appears to be sufficiently liberal. In the middle nineties the stock sold as low as $10 per share (par $100); in 1899 it sold as low as $40 per share, and the highest reported price in 1900 was $75 per share, the sales being very infrequent. While the market price may have been depressed by the fact that the company had never paid a dividend and did not publish annual reports, these figures apparently do not warrant a valuation of the property of this concern in excess of the par value of its stock.[1]

The Shelby Steel Tube Company, acquired in August, 1901, was purchased for $1,791,038 preferred and $2,004,550 common stock of the United States Steel Corporation. This covered practically the entire stock of the Shelby concern. The current market value of the Corporation's stock thus issued was approximately $3,000,000, and this figure has been taken as representing the value of this company at its acquisition rather than the par value of the preferred stock ($5,000,000), as in several other cases.

The Bessemer Steamship Company has been entered in the Bureau's estimate at $8,500,000, the purchase price, this acquisition being temporarily financed by the issue of purchase-money obligations to that amount.

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[1] The Bureau has, however, added the moderate surplus of the company on April 1, 1901, this being included in the item of $117,700,000 in the table on page 19. (See also Table 12, p. 167.)

The Steel Corporation also acquired a one-sixth interest in the Pittsburg Steamship Company and the Oliver Iron Mining Company (the other five-sixths interest in these concerns already being owned by the Carnegie Company; also, of course, acquired by the Corporation). Owing to the difficulty of estimating ore property in small parcels, this one-sixth interest in the two concerns has been credited in the current estimate with a value equal to the par of the United States Steel preferred stock issued therefor—namely, $9,250,000—(an equal amount of common stock was also paid; this has been regarded as a bonus). While this allowance is undoubtedly too high, the excess over a more accurate valuation is relatively so small as not to be important.

The foregoing valuations, it should be kept in mind, are applicable at the dates of the respective organizations of the companies named, except in the case of the last four concerns, where the figures given apply to the dates of acquisition by the Steel Corporation. By April, 1901, the various constituent concerns had increased their property investment, through surplus earnings, to the extent of approximately $117,700,000. Adding this sum, together with $25,003,000 new cash capital provided the Steel Corporation, to the valuations stated above and including underlying bonds, purchase-money obligations, and real-estate mortgages (which also cover any additions to the property made in this way), brings the indicated total investment in the physical property acquired by the Steel Corporation in 1901 up to approximately $676,000,000, as shown by the table on the succeeding page.

ESTIMATED VALUES OF TANGIBLE ASSETS OF CONSTITUENT CONCERNS OF THE UNITED STATES STEEL CORPORATION AT THE DATES OF THEIR RESPECTIVE ORGANIZATIONS, WITH ADDITIONS TO APRIL 1, 1901.

[Tentative estimate; for final estimate see p. 36.]

Constituent concerns.	Estimated values of tangible assets at dates of respective organizations.
Carnegie Company (New Jersey)	$160,000,000
Federal Steel Company	63,000,000
American Steel and Wire Company (New Jersey)	40,000,000
National Tube Company	40,000,000
National Steel Company	27,000,000
American Tin Plate Company	18,325,000
American Steel Hoop Company	14,000,000
American Sheet Steel Company	17,000,000
American Bridge Company	[1] 31,374,000
Lake Superior Consolidated Iron Mines	[1] 29,400,000
Shelby Steel Tube Company	[1] 3,000,000
One-sixth interest in Pittsburg Steamship Company and Oliver Iron Mining Company	[2] 9,250,000
Total	452,349,000
Add underlying bonds, mortgages, and purchase-money obligations of above companies at par	[3] 60,000,000
Total valuation at time of organization of constituent companies (except in cases noted)	512,349,000
Add:	
Surplus earnings of the companies acquired	117,727,000
Investment through bond issues, purchase-money obligations, etc	[3] 20,964,000
Cash capital provided	25,003,000
Approximate grand total of value of physical property in April, 1901	676,043,000

[1] Estimated value of property at time of its acquisition by the United States Steel Corporation, instead of at its organization.

[2] Amount of preferred stock of United States Steel Corporation issued therefor; this probably excessive, but allowed here in absence of other data.

[3] The total of such indebtedness, $80,964,000, is known; the division here given was partly approximated. The item of $20,964,000 includes the Bessemer Steamship Company.

VALUATION OF CONSTITUENT COMPANIES AS INDICATED BY MARKET PRICES OF THEIR SECURITIES.

The valuation of the properties of these constituent concerns arrived at by the second method of analysis is based upon the market value of their securities. Using average weekly prices, where available, and again adding underlying bonds, purchase-money obligations, and real-estate mortgages, at par, as well as $25,003,000 of new cash capital provided for the Steel Corporation, the indicated valuation is approximately $793,000,000, as shown in the table on the next page.

APPROXIMATE MARKET VALUATION OF SECURITIES ACQUIRED BY UNITED STATES STEEL CORPORATION IN 1901, AS INDICATED BY AVERAGE MARKET PRICES, 1899–1900.

Constituent concerns.	Amount of stock acquired by United States Steel Corporation.	Average market price of stock in 1899–1900.	Value at average price.
Stocks regularly quoted:			
Federal Steel Company—	*Par value.*	*Per cent of par value.*	
Preferred	$53,260,200	76.38	$40,680,141
Common	46,483,700	50.04	23,260,443
American Steel and Wire Company—			
Preferred	39,999,000	89.41	35,763,106
Common	49,981,400	48.26	24,121,024
National Tube Company—			
Preferred	40,000,000	94.20	37,680,000
Common	40,000,000	48.72	19,488,000
National Steel Company—			
Preferred	26,996,000	91.16	24,609,554
Common	31,970,000	41.67	13,321,899
American Tin Plate Company—			
Preferred	18,325,000	84.77	15,534,103
Common	28,000,000	34.77	9,735,600
American Steel Hoop Company—			
Preferred	14,000,000	77.34	10,827,600
Common	19,000,000	32.11	6,100,900
American Bridge Company [1]—			
Preferred	31,357,600	93.10	29,193,926
Common	30,946,400	43.88	13,579,280
Shelby Steel Tube Company [1]—			
Preferred	4,776,100	56.48	2,697,541
Common	8,018,200	10.90	873,984
Stocks not actively quoted:			
American Sheet Steel Company [1]—			
Preferred	24,499,600	[2] 65.88	16,140,336
Common	24,499,600	[2] 19.00	4,654,924
Lake Superior Consolidated Iron Mines	29,418,905	[3] 75.00	22,060,429
Carnegie Company:			
Bonds	159,460,000	105.00	167,422,500
Stock	160,000,000	[4] 100.00	160,000,000
Oliver Iron Mining Company, one-sixth interest	200,000	.....	[5] 9,250,000
Pittsburg Steamship Company, one-sixth interest	221,700	.....	
Total	[6] 881,398,405	.....	686,995,290
Mortgages and purchase-money obligations	.....	.....	21,872,023
Underlying bonds and scrip at par	.....	.....	59,091,657
Cash capital	.....	.....	[7] 25,003,000
Grand total	.....	.....	792,961,970

[1] No quotation in 1899.

[2] Mean of highest and lowest prices in Pittsburg market in 1900, weekly quotations not being available.

[3] Asked price in 1900. Does not include lower prices recorded in 1900.

[4] Only 13 shares known to have been sold in open market.

[5] Not based on stock quotations but amount of United States Steel Corporation preferred stock issued therefor at par.

[6] Does not include $535,407 unacquired stock in subsidiary concerns.

[7] Including $3,000 paid in by original incorporators.

The average prices given cover the periods from the respective dates of organization to December 31, 1900. The market quotations from January 1, 1901, to March 31, 1901, were so largely influenced by the prospective organization of the Steel Corporation that they have been properly excluded in computing the foregoing averages; their inclusion, however, would have added only about $6,000,000 to the grand total reached.

It should be noted that the stocks of several of these concerns were inactive, particularly those of the Carnegie Company and the Lake Superior Consolidated Iron Mines. The former stock has been taken at its par value, since the few recorded sales of the stock (but 13 shares in all) were at that figure. The Lake Superior Consolidated stock has been taken at $75 per share—the highest reported figure for a number of years prior to 1901—since, on account of the inactivity of this stock, an average of the prices in 1899 and 1900 might be unfair. (In the preceding estimate the stock was reckoned at par.)

The Carnegie bonds have been entered at their market quotation. Although the premium on these securities might fairly be ignored in a calculation of this sort, it was deemed better to allow it.

When it is taken into consideration that these market prices include, of course, an allowance for earning power and other intangible considerations, this total of $793,000,000 indicates that the preceding valuation of $676,000,000 for the tangible property alone is sufficiently liberal.

ESTIMATED VALUATION OF PROPERTY OF STEEL CORPORATION IN 1901 BY DEPARTMENTS OF ITS BUSINESS.

Both of the foregoing estimates are necessarily somewhat general. The estimate of the Bureau, based on the third method stated—that is, by departments of the Corporation's business—was prepared on a more detailed basis.

Before proceeding to discuss this estimate, it should be noted that the Steel Corporation itself, in July, 1902, in litigation then pending, submitted an estimate of the value of its assets, by principal departments, as follows:

ESTIMATE OF VALUE OF TANGIBLE ASSETS OF UNITED STATES STEEL CORPORATION ON JULY 1, 1902, SUBMITTED BY THE CORPORATION IN THE "HODGE" SUIT.

Ore properties	$700,000,000
Plants, mills, fixtures, machinery, equipment, tools, and real estate	300,000,000
Blast furnaces	48,000,000
Coal and coke	100,000,000
Transportation properties	[1] 80,000,000
Natural gas fields	20,000,000
Limestone properties	4,000,000
Cash and cash assets [2]	148,291,000
Total	1,400,291,000

[1] President Schwab stated that the Corporation's estimate for this item was the value after allowing for $40,340,000 of indebtedness. (See p. 36.)

[2] As of June 1, 1902. See note 3 to table on page 36.

This estimate of the Steel Corporation was submitted for the purpose of defending its huge capitalization, which was then directly challenged as one of the vital issues in the suit. As the legal right of the Corporation to carry out a proposed conversion of a portion of its preferred stock into bonds was dependent upon the amount of its assets there was a great inducement before the Corporation to overstate the value of its property in order to justify its capitalization. As shown later some of the Corporation's figures greatly exaggerated the true values.

The Bureau for the purposes of this third method of analysis has used the classification of property employed by the Corporation, shown in the preceding table. The basis of the Bureau's estimates by the different classes may now be briefly explained. For convenience in discussion the value of the ore property will be taken up last.

MANUFACTURING PROPERTIES.

For most of the subsidiary companies of the Steel Corporation the Bureau's valuations of the manufacturing plants were arrived at by deducting from the par value of the preferred stock issued at their respective organizations the amounts of working capital provided. The preferred stock, as already shown, in most cases represented the total assets acquired, which in several instances consisted exclusively of plants and working capital. Therefore the values of the plants could be arrived at by deducting the working capital from the amount of preferred stock. As the properties were acquired as going concerns, the preferred-stock issues probably included in some cases an allowance for intangible considerations, and this method may therefore somewhat overstate the value of the plants. This method was used in the case of the American Steel and Wire Company, the National Steel Company, the American Tin Plate Company, the American Steel Hoop Company, the National Tube Company, and the American Bridge Company. In the case of the National Steel Company, an addition of $2,561,000 was made on account of bonded indebtedness, which was considered as representing an equivalent investment in manufacturing properties. (Additional bonds were subsequently issued by this company, but almost entirely for other kinds of property.) A few of the other concerns had small amounts of indebtedness, bringing the total addition on this account up to $3,000,000. In the case of the American Sheet Steel Company, owing to evidence that even the preferred stock was heavily "watered," the value of the manufacturing plants was fixed at $12,000,000, although the preferred-stock issue was, roughly, $24,500,000. An addition of $1,000,000 was made to cover certain detached real estate. This company had $2,000,000 of bonded debt, but this has been considered as representing its natural-gas property. (See p. 26.)

The value given the plants of the Carnegie Company was the book value, as shown in the balance sheet of March 1, 1900. In the case of the Federal Steel Company, likewise, the value for its Illinois Steel Company plants was the book value at the time of their acquisition, while the value taken for its Lorain and Johnson companies' plants was practically the cash equivalent paid. The bond issues of these concerns, therefore, do not have to be considered.

The Shelby Steel Tube Company plants have been valued at $3,000,000.

The other constituent companies mentioned in the list on page 19 did not have any manufacturing plants.

The valuations thus arrived at are summarized in the following table:

BUREAU'S ESTIMATE OF INVESTMENT OF CONSTITUENT COMPANIES OF UNITED STATES STEEL CORPORATION IN MANUFACTURING PLANTS (INCLUDING BLAST FURNACES) AND REAL ESTATE AT THE DATES OF THEIR RESPECTIVE ORGANIZATIONS.

Company.	Preferred stock issued.	Current assets at organization.	Balance to represent plants.
American Steel and Wire Company	$40,000,000	$16,600,000	$23,400,000
National Steel Company [1]	27,000,000	9,000,000	18,000,000
American Tin Plate Company [1]	18,325,000	4,500,000	13,825,000
American Steel Hoop Company	14,000,000	3,000,000	11,000,000
National Tube Company	40,000,000	16,000,000	24,000,000
American Bridge Company [1]	31,374,000	11,500,000	19,874,000
Other companies:			
Carnegie Company (book value)	.....	.....	43,355,000
Federal Steel Company—			
Illinois Steel Company (book value)	.....	.....	20,200,000
Lorain and Johnson companies (approximate cash price)	.....	.....	4,000,000
Shelby Steel Tube Company (approximate cash price)	.....	.....	3,000,000
American Sheet Steel Company (estimated)	.....	.....	13,000,000
Add to cover investment in manufacturing plants represented by miscellaneous bonds	.....	.....	3,000,000
Total	.....	.....	196,654,000

[1] In the case of this company the preferred stock here given includes a small amount issued soon after the organization of the company.

This total of $196,654,000, it should be emphasized, is the indicated value of the manufacturing plants and accompanying real estate at the respective dates of organization of these constituent concerns (except in the cases of the American Bridge and Shelby Steel Tube companies), and not the value at the time of transfer to the Steel Corporation. As shown above, the aggregate surplus earnings of all the subsidiaries from the dates of their respective organizations to April 1, 1901, were approximately $117,700,000. A part of this was invested in manufacturing properties, and a portion of the

original working capital of these concerns was also used for this same purpose. Just how much was invested in manufacturing plants is not definitely known. Large sums were invested in ore, coal, and transportation properties. On the other hand, there had very likely been some depreciation of these properties. From various data obtained the Bureau has concluded that an allowance of $250,000,000 would be sufficient to cover the total investment in these manufacturing properties on April 1, 1901. (Only a small addition had to be made on account of additional securities issued, because these were almost exclusively for other classes of property.)

That this allowance of $250,000,000 is sufficiently liberal is indicated by data furnished by the Steel Corporation. At the close of December, 1907, the Steel Corporation made an appraisal of its assets (see p. 44), in which the manufacturing properties (other than the Gary plant and those of the Tennessee Coal, Iron and Railroad Company) were valued at $367,600,000. This figure, according to the Corporation, represented the construction cost less accrued depreciation (see p. 41), except for real estate, which was taken at the current value. During the period from April 1, 1901, to December 31, 1907, there had been invested in net capital additions to these manufacturing properties (again excluding the Gary and Tennessee plants) approximately $114,500,000. Deducting this from the foregoing figure, gives an indicated investment in these manufacturing properties in April, 1901, of $253,000,000. This amount was over and above an expenditure of approximately $180,000,000 for ordinary maintenance and repairs which, in some cases, apparently included an allowance for depreciation although not so designated.

The Corporation's valuation of $367,600,000 at the end of 1907, however (and consequently the resulting figure of $253,000,000 for 1901), includes real estate at values in excess of those prevailing in 1901. Allowing for this fact, this 1907 appraisal of the Corporation does not indicate a valuation for the Corporation's plants in April, 1901, in excess of $250,000,000.

TRANSPORTATION PROPERTIES.

RAILROAD PROPERTIES.—The Bureau has placed the value of the railroad property of the Corporation at $70,000,000. This was almost exactly the book value—that is, the sum of the capital stock, bonds, and surplus. As shown in the detailed discussion in the body of the report, there can be little doubt that the Bureau's valuation is sufficiently liberal. This figure does not include an interest of, roughly, 48 per cent in the Pittsburg, Bessemer and Lake Erie Railroad Company not owned by the Corporation.

STEAMSHIP PROPERTIES.—The steamship property of the Corporation in 1901 has been valued by the Bureau at $20,000,000. This

agrees almost exactly either with the cash prices paid by the Corporation, or with the net investment shown on the books of the constituent companies, either of which can not be regarded as understating the value. It is equivalent to an average of, roughly, $40 per ton of carrying capacity, including both barges and steamers. At the close of 1900 ore steamers of the most improved type could be constructed at an average cost of from $45 to $50 per ton of cargo capacity. The cost of barges was somewhat less. Since many of the vessels were more or less depreciated and somewhat obsolete in type, an average valuation of $40 per ton must be regarded as liberal. It is possibly excessive, but as any reduction which could reasonably be made would be comparatively small, it has been allowed.

DOCK PROPERTIES.—The only important dock property acquired by the Steel Corporation (other than certain docks included with railroads or manufacturing plants and embraced in the foregoing valuations for these) was that of the Pittsburg and Conneaut Dock Company, the book investment in which on April 1, 1901, was $1,236,375. An allowance of $1,500,000 for all miscellaneous dock property is undoubtedly sufficient.

On the foregoing basis, it will be seen, the total valuation for the transportation properties as a group is $91,500,000. It should be noted that this figure represents the entire value of these properties (except in the case of the Pittsburg, Bessemer and Lake Erie Railroad, as above noted), and not merely the equity value over and above bonded indebtedness.

COAL AND COKE PROPERTY.

The Steel Corporation's estimate of $100,000,000 for this property was undoubtedly excessive in some respects, particularly in the values assigned to coking-coal lands, a large portion of which was rated at $1,500 per acre. The Bureau has allowed $1,200 per acre for such coal, a figure which, in view of the facts set forth in the body of the report, must be regarded as entirely ample. This meant a reduction of $13,000,000; the steam coal estimate was reduced by $3,000,000. The Corporation's estimate, moreover, included additions made to the property since April 1, 1901, amounting to, roughly, $2,000,000. It also included an entry of $2,500,000 for certain property not acquired until the end of 1901. Allowing for these considerations, the Bureau has fixed upon $80,000,000 as an approximate but liberal valuation of this coke property in April, 1901.

NATURAL-GAS AND LIMESTONE PROPERTIES.

The Corporation, it will be seen, placed the value of the natural-gas property in 1901 at $20,000,000. Owing to the great difficulty of arriving at a conclusive estimate of the value of that property as

it existed in 1901, the Bureau has allowed this valuation to stand. It may be pointed out, however, that this figure is about double the valuation of the Steel Corporation in 1907 for its natural-gas property at that date. The Corporation's natural-gas property was acquired chiefly through the Carnegie and American Sheet Steel companies.

The Corporation's allowance of $4,000,000 for the limestone property is undoubtedly excessive, but the amount is comparatively small and in the absence of satisfactory data the Bureau did not attempt to revise it.

WORKING ASSETS.

The working assets of $136,500,000 were arrived at from a consolidated balance sheet furnished by the Corporation. Purchase-money obligations and sundry real-estate mortgages were treated as bonded indebtedness. (See note 3 to the table on p. 36.) This total includes $25,003,000 cash capital provided for the Corporation at its organization.

SUMMARY FOR PROPERTY OTHER THAN ORE.

The Bureau's estimates of the tangible property of the Corporation, other than ore, in 1901, are therefore as follows:

Manufacturing, including blast furnaces	$250,000,000
Transportation	91,500,000
Coal and coke	80,000,000
Natural gas	20,000,000
Limestone	4,000,000
Working assets	136,500,000
Total	582,000,000

The total value assigned these classes of property in the Corporation's estimate of 1902 (see table on p. 21), it will be observed, was roughly $700,000,000, or, after including the bonded indebtedness of transportation properties and purchase-money obligations and mortgages, to make the two estimates fairly comparable, approximately $757,000,000. The Corporation's estimate, of course, included additions to property made from April 1, 1901, to July, 1902. Nevertheless the Corporation's estimate of its manufacturing properties was undoubtedly excessive. Except in this instance, the Bureau's valuations for these classes of property are not strikingly different from those of the Corporation in 1902.

VALUE OF THE ORE PROPERTY OF THE STEEL CORPORATION.

The ore valuation made by the Corporation, however, presents a very different question. The table on page 21 shows that the Corporation assigned a value of no less than $700,000,000 to its ore prop-

erty, or almost one-half of the total claimed for all its assets. It is evident, therefore, that conclusions regarding the value of the ore must largely govern opinions as to the relationship between the capitalization and the actual property assets of the Steel Corporation as a whole.

The Bureau has estimated the value of this ore property by three different methods—first, on the basis of prices paid for ore in fee shortly before the Corporation was organized; second, on the basis of the price paid by the Steel Corporation itself for a certain portion of its ore property; and, third, by a calculation of the "present worth" of royalties on leased ore.

It should be explained that it is a very common practice for operators of iron mines to lease ore-bearing tracts on a system of rentals called "royalties"; that is, the lessee (or operator) contracts for the right to take ore from a given deposit and to pay the owner thereof a stipulated amount for every ton of ore taken out. Usually the lease provides that not less than a fixed minimum shall be paid for annually.

Such a right to mine ore is called a "leasehold." A mine which is owned outright by the operator is spoken of as a "fee" mine, and the ore in such a mine or in a tract of land so owned is spoken of as "fee ore."

VALUATION BASED ON PRICES FOR FEE ORE.—In arriving at a valuation by this first method, which the Bureau regards as the least conclusive of the three, an effort has been made to determine in a rough way the prevailing prices for fee ore in 1901. Allowance must then be made for the fact that a considerable part of the Corporation's ore, instead of being owned in fee, was simply held by it under lease. The value of such leasehold rights necessarily is less than the value of a corresponding quantity of similar fee ore.

Fee prices of ore, owing to the great uncertainties which attend all mining enterprises, should be used only with great discretion. The price originally paid for a mining property may not, of course, represent the real market value of that property at a later period after development. For this reason prices paid for ore property in the early nineties have not been taken into consideration by the Bureau. The prices paid by the constituent concerns of the Steel Corporation in the late nineties, however, are entitled to some weight, although even these must be regarded as simply in the nature of evidence and not as conclusive. All available evidence indicates that prices of ore bought in fee in the late nineties seldom amounted to more than a few cents per ton on the estimated tonnage acquired.

As one instance it may be noted that the American Steel and Wire Company bought the Sauntry mine in 1899 for $700,000. This mine was estimated at the time to contain anywhere from 25,000,000 to 40,000,000 tons of ore. On the lower estimate of tonnage the price

was less than 3 cents per ton and on the higher basis less than 2 cents per ton. A later estimate, based on expert examination, placed the tonnage at over 80,000,000 tons, which would indicate a price of less than 1 cent per ton. The reported prices paid for several other mines transferred in fee in 1899 and 1900 likewise averaged only a very few cents per ton on the estimated tonnage.

The following significant statement from a formal brief filed by the delegation from St. Louis County in the House of Representatives of Minnesota (the great bulk of the developed iron-ore deposits of Minnesota being in St. Louis County) as late as 1909 may be cited:

> The cheapest sales of fee ore we ever knew were for less than 1 cent per ton; the highest that we ever knew were for 15 cents per ton. There may have been sales at a higher price, *but we have never known of one, and upon inquiry can learn of none.*[1]

This emphatic statement, made eight years after the Steel Corporation was organized, during which period there had been a considerable advance in the value of ore property, together with much additional evidence presented in the body of the report, clearly indicates that fee ore in the ground in the Lake region in 1901 was on the average worth decidedly less than 15 cents per ton.

An estimate of 700,000,000 tons for the total ore holding of the Steel Corporation in 1901 must be regarded as liberal. Indeed the Corporation in its estimate of 1902, above given (see p. 21), reckoned on this tonnage, its valuation of $700,000,000, being at the rate of $1 per ton. It has since been admitted that this estimate made no allowance for the fact that a large part of the ore was simply leased and not owned in fee. The allowance of $1 per ton for even the fee ore was unquestionably extravagant.

Supposing that all the ore had been owned in fee in 1901 (which was not the case), and allowing as much as 10 cents per ton as a fair average value, the total value of a deposit of 700,000,000 tons would have been $70,000,000; at an average of 5 cents per ton only $35,000,000. Adding $9,000,000 to cover improvements to this mining property in 1901, this being approximately the book investment in these improvements (shafts, stripping, equipment, buildings, etc.), the indicated valuation of the entire property, based upon such fee prices, would range from $44,000,000 to $79,000,000. Even allowing as much as 15 cents per ton for the ore, which figure, however, is discredited by the statement of the mining interests above quoted, the total indicated valuation of the property, including improvements, would be only $114,000,000. However, these results are all on the assumption that all the ore was owned in fee, whereas at least one-half of it was simply leased. As stated above, such leases were worth less

[1] Italics by Bureau.

per ton than fee ore. If a correction were made for this, the above amounts would be substantially reduced.

PRICES PAID FOR ORE PROPERTY BY THE STEEL CORPORATION ITSELF.—The most important single block of ore property acquired by the Steel Corporation in 1901 was that of the Lake Superior Consolidated Iron Mines. An official statement at the time of the purchase placed the holdings of that concern anywhere from a minimum of 300,000,000 tons to well above 400,000,000 tons; the higher estimate later proved to be conservative. Using the lower figure, it will be seen that the holdings of this concern represented three-sevenths of the total accepted estimate of 700,000,000 tons. The quality of the ore properties of this company as a whole was certainly equal to the average quality of all the ore properties acquired by the Steel Corporation. The proportion of the fee ore apparently was higher than for the other ore property of the Corporation. By determining a valuation for so large a fraction of the total, therefore, it is possible to arrive at an approximate value of the entire holdings of the Corporation.

The Steel Corporation acquired the Lake Superior Consolidated concern on the basis of $135 of its own preferred and $135 of its common stock for each $100 of the old stock. The total par value of Steel Corporation securities thus issued was roughly $79,400,000. The market value, based on the average prices of Steel Corporation stocks for the first year of the company's operations ($94 for the preferred and $44 for the common), was approximately $55,000,000. While this was substantially the cash price obtained by the owners, it undoubtedly far exceeded any price which the purchasers would have been willing to pay in actual cash. Indeed, the market prices of the securities issued for this concern almost certainly overstate the real cash value of the property. Such prices in securities, even when reduced to the basis of actual market value, undoubtedly include what is in effect a price paid to get greater control of the ore situation.

In addition to its ore property, the Lake Superior Consolidated Iron Mines owned the entire $2,512,000 capital stock and $2,305,000 of the bonds of the Duluth, Missabe and Northern Railway. This railroad was exceptionally valuable. Its average earnings in 1900 and 1901 were at the rate of over 50 per cent yearly upon the capital stock. Its operating expenses in 1900 were less than 45 per cent of the gross earnings. (See p. 60.) Moreover, the capital securities of this road appear to have been fairly well protected by tangible assets alone. Without allowing anything for earning power, therefore, the investment value of these railroad securities at par, plus $3,000,000 to cover the surplus on April 1, 1901, was, approximately, $7,817,000.

Applying the rates of exchange into United States Steel stock—$135 for the preferred and $135 for the common for each $100 of the Lake Superior Consolidated stock—to this figure, gives a total of, roughly, $10,553,000 of each class of stock which may be considered as having been issued for this railroad property. Deducting this from the total amounts of Steel Corporation stock issued for the entire property of the Lake Superior concern (roughly $39,708,000 of each class) there would be left $29,155,000 of each class for the ore property. The market value of this stock at the average prices above given ($94 for the preferred and $44 for the common) would be $40,234,000.

Using the minimum estimate of 300,000,000 tons, this price was equivalent to 13.4 cents per ton for the ore; using the estimate of 400,000,000 tons the average would be almost exactly 10 cents per ton. These prices, it should be noted, include fee mines, leaseholds, and improvements, collectively, and not merely fee ore. The proportion of fee ore in the Consolidated company's holdings, as just stated, was apparently higher than for the other ore property acquired by the Steel Corporation taken as a whole. The property, moreover, included a large number of improved mines.

Applying these averages to the accepted estimate of 700,000,000 tons as the total ore tonnage of the Steel Corporation in 1901, the total cost of the acquisitions of ore property (with improvements), had it all been acquired on the same average basis per ton (assuming the same proportions for fee and leasehold mines) as this ore of the Lake Superior Consolidated Iron Mines, would have ranged from about $70,000,000 to $94,000,000, according to the tonnage assumed for the Lake Superior Consolidated Iron concern.

Calculations thus based upon this Consolidated Iron Mines purchase must be regarded as liberal and probably excessive. The rates of exchange allowed the Consolidated stock are in themselves indicative of an excessive payment. These rates figure out an approximate cash yield of $186 for each share of the Consolidated Iron Mines stock, whereas down to the close of 1899 the highest price for the stock for many years appears to have been $60 per share, and the highest price down to the close of 1900, $75 per share. It is incredible that there could have been any such rapid increase (nearly 250 per cent) in actual market value in this short interval. The chief owners of the Lake Superior Consolidated stock were Standard Oil capitalists who were under no pressure to sell, and who must have recognized the strategic position which the ownership of this ore and railroad property gave them, and who certainly must have intended to name what they considered a high price. The organizers of the Steel Corporation on their side were naturally willing to pay an extremely liberal price for this extensive property, particularly in view of the important degree of monopolistic control over ore transportation which was thereby secured. As will be shown in a later part of the report, the

profits of these ore railroads have been exceptionally high. Altogether, therefore, the above totals of from $70,000,000 to $94,000,000, or, at any rate, the latter figure, must be regarded as a very liberal indication of the value of the entire ore property of the Steel Corporation. A special reason for this view, moreover, is that this purchase apparently included a relatively larger proportion of fee ore than obtained in the case of the remainder of the Corporation's ore. For example, the important holdings of the Carnegie interests were almost entirely leaseholds.

VALUE OF STEEL CORPORATION'S FEE ORE PROPERTY IN 1901 AS INDICATED BY "PRESENT WORTH" OF ROYALTIES ON LEASED ORE.—The third method employed by the Bureau for estimating the value of the ore property of the Steel Corporation in 1901 is based upon a computation of the "present worth" of royalties on leased ore. As already stated, a very common method of acquiring iron-ore property is by lease, the lessee mining the ore and paying a stipulated sum per ton ("royalty") as each year's production is mined and shipped. The royalty therefore measures, roughly speaking, the cost or worth of the ore in the ground for that portion which is immediately mined. However, it is obvious that the present worth of the royalties for the output of a distant year is less than the value of the royalty for the same amount of production in the current year, first, because the lessor (i. e., the owner of the ore) does not receive payment therefor until a distant year, such payment having a present value determined by the principles of discount, and, second, because he is meanwhile exposed to various risks attendant on the progress of mining the ore, which tends of course to enhance the rate of discount. Therefore the owner would be willing to sell his mine at a sum considerably less than the aggregate of the royalty payments which he might expect to realize if he leased it over a long period of years. Similarly, the lessee, if he were to purchase the mine in fee instead of making a lease, would expect to pay very much less than the aggregate of such royalties. The exact price which he would be willing to pay probably would not be computed by this method. But it is reasonably certain that on the average such cash prices for ore in fee would be less than the present worth of the aggregate royalty payments, discounted at a reasonable rate of interest. A particular reason is that a fee purchaser must bear the risk of ownership, such as the failure to find as much ore as expected, the discovery of more valuable deposits by competitive interests, or other contingencies which might adversely affect the value of the lease, particularly the possibility that the ore might not be extracted as rapidly as anticipated. A further reason is that the provisions of iron-mining leases are in many respects liberal to the lessee, thus making him the more indisposed to purchase in fee, unless the price is low.

Such calculations of the present worth of royalty payments therefore are of great service as affording another means for determining the value of this ore property of the Corporation.

In making such a computation of present worth it is necessary to determine upon four factors, as follows:

I. The tonnage of the deposit.

II. The average rate of royalty.

III. The rate of discount (or interest).

IV. The estimated duration of the deposit.

Tonnage of the deposit.—The tonnage of the deposit controlled by the Corporation in 1901 may be accepted, as in the preceding calculations, at 700,000,000 tons.

Rate of royalty.—The rate of royalty can be taken at 28 cents, as this was the actual average for 17,000,000 tons of Lake ore in 1902 (1901 data not being secured). This represented the great bulk of the royalty ore output of the Lake district in that year. It may be noted that in addition to the royalties there frequently were "bonus" payments; these are considered later. (See p. 34.)

In recent years there has been a rather decided increase in rates of royalty on new leases in the Lake region. (See p. 48.) However, this increase, much of which is undoubtedly due to the great concentration of ore properties in a few hands, should not be taken account of in this discussion of values in 1901.

Rate of discount.—As to the rate of interest for figuring discount, it is obvious that in a mining enterprise, which always involves a large element of risk, the prospective purchaser would be disposed to discount the value at a rather high rate. The Bureau, however, in order not to underestimate the value of the ore property, has based its conclusions in the main upon a discount rate of 6 per cent. This may be too low a rate in view of the risks involved, but the total difference in the indicated value of a deposit of not over 700,000,000 tons arrived at by the use of this rate as compared with a considerably higher rate is not of great importance in relation to the enormous total of the Steel Corporation's capitalization. In the body of the report, however, the values are computed at several different rates.

Duration of deposit.—An exhaustion period for an ore body of 700,000,000 tons can be estimated from the actual production from 1901 to 1910. The production of the Steel Corporation's mines for the entire year 1901 (including the operations of the subsidiary companies for the period from January 1 to March 31) was, roughly, 13,000,000 tons, and for the five-year period ended with 1905 it aggregated about 73,000,000 tons. In the next five years it increased to 103,000,000 tons, and a further increase would naturally be expected. In view, however, of the fact that the production of the first 10 years

was only about 176,000,000 tons, or a little over one-fourth of the estimated total of 700,000,000 tons, it seems improbable that the remaining three-fourths will be exhausted within an additional period of 20 years; that is, within a 30-year period from the organization of the Corporation. Calculations are shown in the body of the report, however, based upon periods of 25 years, 30 years, and 35 years.

For all practical purposes, in dealing with an estimated deposit of 700,000,000 tons, the rate of production during the exhaustion period may be regarded as uniform. A rough calculation by a more scientific method involving the construction of a probable "curve of production" is, however, given in the body of the report.

It must be remembered that this 700,000,000 tons was simply the total ore holdings in 1901, the date now under discussion. This figure, of course, does not include very considerable additional holdings acquired by the Corporation since 1901.

Indicated valuations of fee ore.—Assuming an exhaustion period of 30 years and taking the royalty at the actual going average of 28 cents, and discounting this royalty at 6 per cent interest, the indicated worth of this ore body of 700,000,000 tons in 1901, *if bought in fee*, is, roughly, $95,300,000. The Bureau has given chief weight to these factors. Assuming an exhaustion period of 35 years and a uniform rate of production, the indicated value would be about $86,000,000. If a higher rate of discount were used, these valuations would be reduced.

It should be noted that rather wide differences in the original factors assumed produce only moderate discrepancies in the final results. Moreover, the results arrived at by the combination of any credible set of factors indicate a valuation only a small fraction of that claimed by the Steel Corporation in its estimate of 1902. As shown later, the valuations obtained by this method work out in surprising agreement with those obtained by the two methods already used.

The valuation of $95,300,000, it will be seen, is equivalent to almost exactly 13.6 cents per ton for fee ore. When it is recalled that a delegation of mining interests in the Minnesota Legislature as late as 1909 stated that, so far as they had been able to ascertain, 15 cents was the highest price ever paid for ore in fee, it would appear that the average valuation here given is high, even as an expression of the going value of fee ore. Only a portion of the Steel Corporation's ore was owned in fee. Possibly not one-third, or even one-fourth, of the total estimated tonnage of 700,000,000 tons was thus owned in 1901. In order to insure a sufficiently liberal valuation of the ore property, however, the Bureau has made its computations on the assumption that one-half of the total amount was owned in fee. At an average valuation of 13.6 cents per ton the total indicated value of this portion of the

Corporation's ore property would be approximately $47,600,000. While this figure is probably high, the Bureau has also allowed for the fact that bonus payments might be obtainable in the event of a transfer of these holdings under lease at an average royalty of 28 cents. This addition is stated below.

Transfer value of leases.—The value of the leases as distinct from that of the ore—that is, of the privilege of mining ore at stipulated royalties—may be considered as measured approximately by the bonus payments which such leases would command if transferred. Broadly speaking, the bonus is the amount paid for the purchase of a leasehold with its improvements. The actual average bonus payments on 23 leases made during the period 1900–1902, as reported to the Bureau by Dwight E. Woodbridge, a mining engineer of Duluth, were almost exactly 3 cents per ton. It is possible that this would be a sufficiently liberal allowance to apply to the entire 350,000,000 tons of the Steel Corporation's ore assumed to have been held under lease. It might, however, be argued that the leases of the Steel Corporation under the stipulated royalties, had they been on the market in 1901, would have commanded a rather higher average bonus. The Bureau, therefore, in order to fix upon a value which can not be challenged on the ground of undervaluation has allowed an average of 6 cents per ton, or double the average for the 23 mines above referred to. This average of 6 cents, applied to the assumed leasehold tonnage of 350,000,000 tons, gives a total of $21,000,000.

This covers the bonus value of the leased ore. It should be noted here that in using, for this calculation of fee-ore values, the average going royalty of 28 cents per ton, nothing has been allowed for the possibility that had all the *fee ore* of the Corporation been available for lease in 1901 it might also have commanded a bonus over that rate, which of course was largely governed by royalties on old leases. However, the royalties prevailing in 1901 do not appear to have been greatly in excess of those of earlier years. One reason for this may have been that the State of Minnesota was then leasing considerable tracts of State ore lands at a uniform royalty of 25 cents per ton. Still again, part of the fee ore owned by the Steel Corporation was of low grade, so that it is exceedingly doubtful whether it could have been leased at more than the current average rate of 28 cents per ton used in the preceding calculation. However, the Bureau has also made an addition of 6 cents per ton, or $21,000,000, to the value of the fee ore as above computed, this increase being equivalent to the average value of bonuses applied to leased ore. It is certain that this valuation for the fee ore is excessive. It gives the fee ore a value of 19.6 cents per ton, whereas the maximum price paid for such ore as late as 1909, according to competent authorities, was reported at 15 cents per ton.

INDICATED TOTAL VALUATION BY DISCOUNT METHOD.—The total indicated valuation of the entire deposit of 700,000,000 tons by this discount or "present-worth" method therefore amounts to $89,600,000, as follows:

1. $47,600,000, for the value of the fee ore based upon the average going royalty in 1901, without any allowance for bonus.

2. $21,000,000, to cover the possible bonus value of such fee ore over and above the preceding valuation, had it been available for lease in that year.

3. $21,000,000, for the transfer or bonus value of the leaseholds themselves.

It is probable that this valuation of $89,600,000 is sufficiently liberal. While no specific amount has been allotted in this estimate for improvements to mining property, the bonus additions, aggregating for the fee and leased ore together no less than $42,000,000, undoubtedly include a very substantial amount for such improvements. The actual book value of the improvements to the Steel Corporation's mining property in 1901, it will be recalled, was about $9,000,000. To add this sum to the preceding total of $89,600,000, would undoubtedly result in duplication. However, it is possible that the bonus calculations may not be sufficient to cover all of the improvements to mining property. The Bureau has allowed for this in its final estimate.

SUMMARY OF ORE VALUATIONS.—Comparing the Bureau's estimates of this ore property by the several methods described, it will be seen, first, that the current prices of fee ore indicate that the fee properties and leaseholds of the United States Steel Corporation were worth much less than $90,000,000; second, that the terms of the purchase of the Lake Superior Consolidated Iron Mines indicate a total value for all the ore property of the United States Steel Corporation in 1901 of not over $70,000,000 to $94,000,000; and, third, that the valuation based on present worth of royalties and bonus values of leases indicates that the same property was worth about $90,000,000.

Altogether there can be no doubt that an estimate of from $90,000,000 to $95,000,000 as the value of this ore property would be sufficiently high. Taking all the facts into consideration, however, the Bureau concluded to allow a round value of $100,000,000 for the ore property in 1901.

It is worth calling passing attention to the fact that in the year 1902 the total valuations, as assessed for taxation, of all iron-mining properties in the States of Minnesota and Michigan, of which at that time the United States Steel Corporation probably owned not much over one-half, was only about $54,000,000. Practically all the Corporation's ore holdings were then in these two States. In other words, the Corporation's ore property, which, for taxation, was

probably assessed at considerably less than $40,000,000, was, for the purpose of justifying its capitalization, valued at $700,000,000. Of course, it is not intended to say that the tax valuations represented the full value of the property.

SUMMARY OF BUREAU'S VALUATIONS BY DEPARTMENTS OF THE BUSINESS.

The valuations for the different classes of the property of the Corporation in 1901, arrived at by the Bureau by this third method, are in the following table summarized and compared with those of the Corporation in 1902, as already given on page 21.

VALUE OF TANGIBLE ASSETS ACQUIRED BY STEEL CORPORATION IN 1901, AS COMPUTED BY BUREAU, COMPARED WITH ESTIMATE OF CORPORATION SUBMITTED IN THE HODGE SUIT IN JULY, 1902.

Class of property.	Bureau's estimate of tangible values in 1901.	Corporation's estimate of tangible values in 1902.	Difference.[1]
Ore property	$100,000,000	$700,000,000	$600,000,000
Manufacturing plants, including blast furnaces	250,000,000	348,000,000	98,000,000
Railroad, steamship, and dock property	91,500,000	[2] 120,340,000	28,840,000
Coal and coke property	80,000,000	100,000,000	20,000,000
Natural-gas property	20,000,000	20,000,000	.....
Limestone properties	4,000,000	4,000,000	.....
Cash and cash assets	136,500,000	[3] 164,660,000	28,160,000
Total	682,000,000	1,457,000,000	775,000,000

[1] A part of the differences between the two estimates is accounted for through additions made to property during the interval from April 1, 1901, to July 1, 1902, such additions, of course, being included in the Corporation's figures.

[2] This figure includes $40,340,000 of indebtedness which was not included in the estimate of the Corporation, this addition being made in order to render the estimates comparable.

[3] In arriving at this figure purchase-money obligations and real-estate mortgages of $16,300,000, which were deducted by the Corporation (see table on p. 21), were restored by the Bureau to make the amounts comparable.

The total valuation of $682,000,000, it will be seen, is less than one-half the value claimed by the Corporation in 1902. Nevertheless, in every case the valuations of the Bureau are believed to be liberal. As already noted, the estimates of the Corporation include additions to the property up to July 1, 1902. Such additions, however, would explain only an insignificant part of the discrepancy, and, in the case of the ore, are entirely negligible.

It may be repeated that the Bureau's figures do not allow for any additional value which may have been imparted to these properties by the mere act of consolidation. A large part of any such addition is properly excluded from consideration, as it must have been due in a measure to concentration of ownership and control or the restriction of competition. While the merger of such properties, particu-

larly on account of greater integration, might have imparted a considerable value to them as going concerns over and above the aggregate of the valuations prior to consolidation, it is impossible to separate any such increase in value, due to coordination and integration, from the increase due to the elimination of competition, and therefore no quantitative statement of such additional value has been attempted by the Bureau.

COMPARISON OF VALUATIONS OF STEEL CORPORATION'S PROPERTY IN 1901 WITH ITS CAPITALIZATION.

The Bureau's valuations of the Steel Corporation's property in 1901, arrived at by these different methods, may now be compared with its outstanding capitalization at that time. This is done in the following table:

COMPARISON OF ESTIMATES OF VALUE OF PROPERTY OF UNITED STATES STEEL CORPORATION AT ITS ORGANIZATION IN 1901, WITH PAR VALUE OF ITS SECURITIES.

		Excess of securities over estimates.
Total capitalization in April, 1901, including underlying bonds and purchase-money obligations	[1] $1,402,846,817	
Investment in tangible property alone, indicated by historical analysis..	676,000,000	$726,846,817
Value of all property, tangible and intangible, as indicated by market prices of securities of constituent concerns	793,000,000	609,846,817
Value of tangible property as estimated by departments of the business..	682,000,000	720,846,817

[1] Excluding $535,407 unacquired stock in constituent concerns for which no corresponding deduction was made in the first and third estimates.

It will be seen at once that the securities issued by the Steel Corporation very greatly exceeded the indicated value of the property acquired, as established by any one of the three methods of valuation. The valuation of the tangible property arrived at by historical study, as well as that by departments of the business, shows an excess of capitalization greater than the indicated value itself. The valuation by departments, namely, $682,000,000, shows an excess of nearly $721,000,000. Even taking the indicated market value of the securities of the subsidiary concerns, namely, $793,000,000, which valuation includes the public estimate for intangible considerations as well as physical property, the excess of the Steel Corporation's capitalization was still over $609,000,000. Naturally the valuation arrived at by this method exceeded those obtained in the other two cases.

The Bureau does not contend that the capitalization of the Steel Corporation should have been fixed at any one of the three valuations here presented. All that is attempted at the moment is to present a comparison of these valuations with the capitalization. The figures show clearly that the entire issue of approximately $508,000,000 of

common stock of the Steel Corporation in 1901 had no physical property back of it, and also a considerable fraction, say from one-fifth to two-fifths, of the preferred stock was likewise unprotected by physical property. Even granting that there may have been a considerable value in intangible considerations, it is reasonably clear that at least the entire issue of common stock, except in so far as what may be termed "merger value" may be considered, represented nothing but "water."

While, therefore, it is not the purpose of this report to say what should have been the capitalization of the Steel Corporation, it is obvious that the company was heavily overcapitalized, judged by any reasonable standard.

OVERCAPITALIZATION INDICATED BY ENORMOUS COMMISSION TO UNDERWRITING SYNDICATE.

Very convincing evidence of a ruling tendency toward excessive capitalization is afforded by the enormous payment the Steel Corporation allowed its underwriting syndicate. This syndicate, as shown elsewhere, provided the Corporation with $25,000,000 of cash capital and also incurred expenses of about $3,000,000 either in buying scattered parcels of stock or otherwise, making its total cash expenditure $28,000,000. For this cash consideration, plus its underwriting services, the syndicate received from the Steel Corporation the enormous total of practically 1,300,000 shares of its stock (half preferred and half common) of an aggregate par value of practically $130,000,000. This stock appears to have realized approximately $90,500,000 (counting $4,000,000 unsold preferred stock at par), leaving as profit to the syndicate, over and above the $28,000,000 cash expenditure noted, a net sum of about $62,500,000. Of this, one-fifth, or $12,500,000, went to the syndicate managers for their services as such, the remaining $50,000,000 being distributed to the syndicate members.

There can be no question that this huge compensation to the syndicate was greatly in excess of a reasonable payment. For the $28,000,000 cash consideration the syndicate was properly to be reimbursed, and furthermore was entitled to additional compensation for raising that amount. Moreover, the syndicate was entitled to some compensation for its other services. Clearly, however, these services can not be considered as worth the huge sum actually allowed. The syndicate was under no obligation whatever to see the organization of the Steel Corporation through, but, on the contrary, the syndicate managers expressly reserved the right at any time in their own discretion wholly to abandon the transaction. The risk of the syndicate over and above the $28,000,000 cash consideration, therefore, can not be considered great. It is true that the nominal liability of the syndicate was $200,000,000, but it was generally understood

at the time that only $25,000,000 in cash would be called from syndicate members, and this was the full amount actually called. Moreover, the syndicate was obligated to provide only $25,000,000 cash capital (aside from certain expenses) to the Steel Corporation, and the fact that the nominal liability of the syndicate was $200,000,000 could not increase this cash obligation to the Corporation, but was simply an arrangement between the syndicate managers and the syndicate members.

It should be pointed out that the syndicate managers were prominently identified with the management of several of the companies acquired by the Steel Corporation, and also with the management of the Corporation itself. Three partners of the firm of J. P. Morgan & Co., the syndicate managers, were on the directorate of the Corporation, and one of them was also chairman of the finance committee. Moreover, the underwriting syndicate included the heads of several constituent companies. These facts are entitled to great weight in connection with this enormous commission allowed to the syndicate. In other words, as managers of the Steel Corporation these various interests virtually determined their compensation as underwriters.

This extravagant compensation to the underwriting syndicate may fairly be cited as further evidence of a general disposition toward excessive issue of securities.

This huge commission, it should be noted, followed very liberal commissions allowed at earlier dates to the promoters of several of the various constituent companies. Assuming that of the total of, roughly, $65,000,000 par value each of preferred and common stock allowed the Steel Corporation underwriting syndicate, $28,000,000 of each class (a common basis of compensation in such cases) was for the cash consideration noted, there would be left as a commission alone $37,000,000 par value of each class, or a total of $74,000,000 par value. Adding to this the amounts allowed for similar commissions in the case of constituent companies at the dates of their respective organizations, and taking into account that the stock so issued by constituent companies received the same terms of exchange from the Steel Corporation as other stock of the same class, it would appear that of the Steel Corporation's stock in 1901 at least $150,000,000 (this including over $40,000,000 of the preferred) was issued either directly or indirectly for such promotion or underwriting services, this being over and above the enormous amounts of common stock issued as a bonus for property and for cash.

ADDITIONS TO PROPERTY OF THE STEEL CORPORATION SINCE 1901.

Since 1901 the Steel Corporation has greatly increased its investment. This increase has come about in two ways—first, and most important, through new construction and additions by the investment of surplus earnings and new capital derived from the sale of securities; and, second, through the acquisition of competing concerns through issue of securities directly therefor.

The capital additions to fixed property, by classes, are stated annually in the published reports of the Corporation, except for those made through the acquisition of the Union Steel Company in 1902, the Clairton Steel Company in 1904, and the Tennessee Coal, Iron and Railroad Company in 1907. All three of these properties were acquired substantially through the issue or assumption of bonds, and the actual investment of the Steel Corporation therein has been taken as the par value of such bonds (with the exception of a small amount of such bonds purchased by the Steel Corporation in the open market at less than par, and used in part payment for the Clairton and Tennessee concerns). This investment may differ from a fair value of these acquisitions, but for the present purpose this need not be considered.

By combining the net additions to fixed property made through direct expenditure and through such acquisitions, with the increase in the current assets, and adding these amounts to the original value in 1901, as computed by the Bureau (which has been considered as the Corporation's investment at that time), the total investment of the Corporation at the close of 1910 may be determined. Such total investment, it is true, may not represent the actual value of the tangible property of the Steel Corporation on that date, particularly on account of appreciation in the value of natural resources, including real estate. The rise in value of property of the Corporation between 1901 and the close of 1910, however, would necessarily have to take account of the great concentration of control of the industry enjoyed by the Steel Corporation, particularly with respect to the ownership of ore. This is a factor that can not be measured here.

Therefore, the Corporation's *investment* in its properties, rather than the *valuation* of these properties, is the proper basis for the current discussion, as well as for computing profits taken up later.

The following table shows the additions to the investment of the Steel Corporation from 1901 to 1910, together with certain deductions for depreciation which were considered by the Bureau as proper:

NET ADDITIONS TO INVESTMENT OF STEEL CORPORATION, APRIL 1, 1901, TO DECEMBER 31, 1910.

Description.	Total additions.	Estimated true depreciation.	Amount made good by expenditures not capitalized.	Net outstanding depreciation to be deducted from investment.	Net additions to investment.
Fixed property (exclusive of Gary and Tennessee Coal, Iron and Railroad Company):					
Manufacturing	$151,490,449	$107,060,053	$88,918,509	$18,141,544	$133,348,905
Iron ore	62,093,931	30,293,497	2,345,016	27,948,481	34,145,450
Coal and coke	34,112,308	21,220,986	5,534,665	15,686,321	18,425,982
Transportation	74,541,029	37,836,955	13,462,331	23,374,624	50,666,405
Miscellaneous fixed property	5,548,556	4,242,626	1,435,062	2,807,544	2,741,012
Other assets:					
Deferred charges	13,243,678	.....	.....	.....	13,243,678
Investments	2,128,364	.....	.....	.....	2,128,364
Sinking funds	16,067,666	.....	.....	.....	16,067,666
Current assets	101,683,544	.....	.....	.....	101,683,544
Total	460,899,520	200,154,117	111,695,603	88,458,514	372,441,006
Gary plant [1]	69,978,695	.....	.....	.....	69,978,695
Tennessee Coal, Iron and R.R. Co. [2]	60,468,518	2,856,003	1,832,843	1,023,160	59,445,358
Add property adjustments	3,063,594	.....	.....	.....	3,063,594
Grand total	594,410,327	[3] 203,010,120	113,528,446	[3] 89,481,674	504,928,653

[1] Includes city of Gary and railroad property. The figure is the construction cost. Depreciation of this plant is included in the figures given above. (See note 1, Table 38, p. 310.)

[2] Original cost of fixed property plus subsequent additions.

[3] Excluding an item of $335,181 which could not be distributed.

The figures of true depreciation given in this table represent the entire estimated depreciation in the properties of the Corporation, including exhaustion and obsolescence. The bulk of such physical depreciation was made good by expenditures on these properties which were not capitalized, thus leaving a balance which may be termed a "net accrued" or "outstanding" physical depreciation not made good, which balance has been set against the additions in order to arrive at the net additions to the investment.

In the case of the manufacturing properties the total allowance for estimated true depreciation is equivalent to rather less than 4 per cent yearly on the average investment in these (excluding land). This might at first sight seem too small. However, there was also expended during this period no less than $180,000,000 (1901 figures estimated) in so-called ordinary maintenance and repairs, which items apparently go far toward maintaining these properties in a high state of efficiency. The sum of these provisions for repairs, maintenance, and depreciation is equivalent to about 10 per cent yearly upon the average investment in these properties, again excluding land. These provisions taken together appear to be sufficient.[1]

The allowance for depreciation of ore property, $30,293,497, is equivalent to about 17 cents per ton on the actual production. A part

[1] For a more precise statement, see pages 304-306.

of this represents depreciation of improvements, and a small part is for exhaustion of timber on ore lands. The greater part of this allowance, however, is for exhaustion of the ore. It seems rather high, especially in view of the fact that the bulk of the production was from leaseholds and not from fee mines, but the Bureau has allowed it to stand for the purposes of the present discussion because of the great difficulty involved in making a satisfactory division, and the relatively small importance which any changes so made would have in the final computation of either investment or of profits.

The total of $21,220,986 for depreciation of coal and coke property allows about 10 cents per ton as exhaustion proper of high-grade coking coal distinct from exhaustion of other coal and depreciation of coke-oven property and mine improvements.

The depreciation allowed for the transportation property, chiefly on railroads, seems high in view of the liberal expenditures for ordinary maintenance, but the Bureau has accepted it. The amount as given includes an allowance of, roughly, $6,700,000 for obsolescence, as distinct from actual depreciation, made on the theory that when the ore along the line of these railroads is exhausted the railroad property itself will lose the great bulk of its value. The provisions in the case of the steamship, dock, and miscellaneous properties appear reasonable.

In all cases the expenditures for ordinary maintenance and repairs have been large. Such expenditures for all classes of property for the period from 1902 to 1910 aggregated $245,271,000 (1901 figures never having been compiled).

Having determined upon an estimate of the true total depreciation for the purpose of computing the investment, the Bureau has, therefore, in the table on page 41, deducted from the investment those portions of the depreciation or the net accrued depreciation which had not actually been made good by expenditures upon the respective properties.

While, therefore, the total allowances for depreciation for certain classes of property appear somewhat excessive, the Bureau, after analysis, has for the purpose of computing the investment accepted these estimates as the actual depreciation of the Corporation's physical properties. They differ somewhat from the provisional allowances as stated in the annual reports. These provisional allowances in a few cases were admittedly excessive or included amounts not representing actual depreciation. Such excessive provisions have been excluded by the Bureau and also restored to the earnings (see p. 53). The total depreciation allowances given in the table include provisions for blast-furnace relining, which in the annual reports are not included under the provisional depreciation allowances.

The constituent companies of the Corporation very properly compute their depreciation charges (including exhaustion) on the original cost of, or investment in, the various properties and not on the replacement cost (either actually incurred or anticipated).

In addition to the provisions for depreciation above described, the Steel Corporation writes off its property account each year other varying sums, usually of large amount. These further sums, however, as explained by the Corporation to the Bureau, do not represent true depreciation based on original cost or purchase value of the physical property to subsidiary concerns, but are instead an offset of a part of the inflated valuations at which the stocks of the subsidiary companies are carried on the books of the Steel Corporation. Such additional amounts written off by the Steel Corporation itself, on account of over capitalization, while probably entirely justified from that standpoint, have, however, no relation to the real depreciation of such first cost of the physical properties, and consequently have not been deducted from earnings by the Bureau.

The treatment of these various depreciation charges is fully explained in the body of the report.

INDICATED INVESTMENT IN THE PROPERTY OF THE STEEL CORPORATION AT THE CLOSE OF 1907 COMPARED WITH APPRAISAL MADE BY CORPORATION AT THAT DATE.

By combining the net additions to the property of the Corporation from 1901 to 1910, as stated in the preceding table, with its investment in 1901 the investment at the close of 1910 is obtained. Before doing this, however, it is desirable to make an intermediate comparison of the total investment at the close of 1907 with an appraisal of the various properties of the constituent concerns which was made at that date by the Corporation itself.

This appraisal of the Steel Corporation at the close of 1907 is in the following table compared with the indicated *investment* in the property at that date, as computed by the Bureau by adding to the values determined upon by the Bureau for April, 1901 (see table on p. 36), the net additions down to the close of 1907, computed in the manner already indicated in the table on page 41.

BUREAU'S ESTIMATE OF INVESTMENT IN PROPERTY OF STEEL CORPORATION AT CLOSE OF 1907 COMPARED WITH CORPORATION'S ESTIMATE OF VALUE AT THAT TIME.

Description.	Investment as computed by Bureau.	Value as estimated by Corporation.	Difference.
Fixed property (exclusive of Gary and Tennessee Coal, Iron and Railroad Company):			
Manufacturing	$364,441,140	$367,632,230	$3,191,090
Iron ore and timber	119,879,749	[1]641,242,880	521,363,131
Coal and coke	95,557,205	142,521,913	46,964,708
Transportation	127,013,555	145,048,041	18,034,486
Miscellaneous fixed property	26,236,798	19,619,052	[2] 6,617,746
Other assets:			
Deferred charges	6,204,734	.....	[3] 6,204,734
Investments	1,717,120	.....	[3] 1,717,120
Sinking funds	32,442,402	32,442,402	.....
Current assets	229,347,483	229,347,483	.....
Total	1,002,840,186	1,577,854,001	575,013,815
Gary plant [4]	24,063,388	24,063,388	.....
Tennessee Coal, Iron and Railroad Company	49,842,295	49,747,753	[5] 94,542
Sundry adjustments	2,017,733	.....	[3] 2,017,733
Grand total	1,078,763,602	1,651,665,142	572,901,540

[1] Includes about $5,700,000 of timber property.

[2] This excess of the Bureau's figure over that of the Corporation is chiefly due to the fact that in computing the investment in 1901 the Bureau allowed a very liberal valuation. The Corporation contends that its 1907 appraisal of these properties was very conservative.

[3] Excess over Corporation's estimate, which did not include these items specifically, but which, however, allows for most of them in other items.

[4] Includes city of Gary and railroad property.

[5] Excess over Corporation's estimate.

The Corporation's valuation of the manufacturing properties was made in great detail and it is claimed that, apart from the real estate of these plants, which was separately itemized, the figures were for the construction cost. They agree substantially with those of the Bureau.

The Corporation's appraisal value of the transportation properties considerably exceeds the investment figure of the Bureau.

The excess of the Corporation's figure for coal and coke over that of the Bureau is chiefly due to the fact that it represents a current valuation, whereas the Bureau's figure is the valuation in 1901 plus the actual cost of subsequent investment, without allowing for any appreciation during this interval. Undoubtedly there had been some appreciation in the coal property during the period 1901–1907. This must be attributed in part to the fact that the great bulk of the Connellsville coking coal lands was owned by the Steel Corporation.

The figure used for the Gary plant is the Corporation's figure of construction cost.

The fixed property of the Tennessee Coal, Iron and Railroad Company has been entered by the Bureau at its cost in bonds issued by the Steel Corporation and underlying bonds assumed (subsequent additions also being included). The price paid for the stock as measured by the market value of the bonds so issued was equivalent to about the par value of the Tennessee company's stock, or roughly, $30,000,000 over and above bonded debt. The value of the property represented by this stock is difficult to estimate. For two years prior to the sale the average price of the stock on the New York Stock Exchange was about $146 per share. The stock, however, was a notoriously speculative security so that the market quotations are an uncertain guide. A consolidated balance sheet of the company of October 31, 1907, or just before the transfer of the company to the United States Steel Corporation, showed a surplus of $1,199,823, thus making the book value of the stock about $104. The fixed property in this balance sheet was carried at $44,988,699, which amount was at once written down by the Steel Corporation to $44,037,140, this placing the plants at $15,382,234, the mineral lands and certain real estate at $26,525,144 (except for an interest in the Potter Ore Company carried at $398,000), the balance representing miscellaneous real estate and railroad property. There is reason to believe that the plants were considerably overvalued. The book valuation of its mineral properties appears to have been liberal. Although these were enormous in extent, the market value was very low as compared with northern coal or Lake Superior ore, first on account of the low grade and second because of the great abundance of such raw materials in that region as compared with the market demand therefor.

Altogether it is doubtful whether the tangible property (including working assets) after allowing for bonds exceeded the par of the stock. However, the property probably had a potential value in excess of these assets, which value presumably was taken account of by the Steel Corporation. While the removal of competition may have influenced the price, still, taking all the property into consideration, the Bureau has deemed it reasonable to enter it at the actual cost.

Therefore, as in the case of the Corporation's estimate of 1902, the principal difference between its figures and those of the Bureau in this comparison for 1907 occurs in the item of iron ore. Here the valuation claimed by the Corporation is, roughly, $641,000,000, whereas the indicated investment in this property, as determined by the Bureau, is only $120,000,000. As repeatedly pointed out, the Bureau's figure of investment in this ore property is not an expression of the actual value of that property at the close of 1907. The Bureau has not attempted a valuation of the ore property at that time. A very large proportion of the available ore of the Lake Superior region had passed into the hands of a very few concerns, and especially

into the hands of the Steel Corporation itself. Unquestionably this great concentration of ownership and control had much to do with whatever appreciation in ore values may have taken place since 1901. Even if a fair market value of the ore property in 1907 were established, it would so largely reflect the influence of this concentration of ownership as to be unsatisfactory for the purpose of this discussion. It would be practically impossible to measure and thus to segregate the appreciation in ore valuations which has come about solely from the concentration of ownership, from that which might have occurred under more competitive conditions. Therefore, instead of attempting to value this ore property, the Bureau has simply presented a statement of the aggregate actual investment.

While, however, the Bureau has not attempted to make a definite valuation of the ore property of the Steel Corporation at the close of 1907, it should be pointed out that the value of $641,000,000 claimed by the Steel Corporation is greatly excessive. Of this, roughly, $607,000,000 was for ore (fee properties and leaseholds)—as distinct from improvements—covering a tonnage of approximately 1,182,000,000 tons, or an average of 51 cents per ton. Convincing evidence that this valuation is excessive is shown by the actual cost of additions to the ore property since 1901. The total capital expenditures upon ore property by the Corporation from April 1, 1901, to the close of 1907 before deducting depreciation were $38,600,000. Of this total, approximately $19,000,000 represents the amount expended for ore, including fee and leasehold properties collectively. The total additions to the ore reserves of the Corporation by this expenditure (again taking leaseholds and fee properties collectively) were certainly several hundred million tons; this not including the "Hill" ore, which the Steel Corporation itself did not include as an asset in its appraisal (except for certain expenditures for development work and advanced royalties). The exact amount added can not be stated because large additions to the estimated total have been made by proving up ore land owned in 1901.

It is worth noting, incidentally, that this valuation of, roughly, 51 cents per ton at the close of 1907 compares with a valuation in the Hodge suit in 1902 of $1 per ton. Since there had been some appreciation in ore values during this interval, the 1902 estimate, it will be seen, is very thoroughly discredited by the Corporation's own figures of 1907.

Therefore the average cost per ton of the ore acquired since 1901, again taking fee and leaseholds collectively, was only a few cents, whereas, as just shown, the total value claimed by the Steel Corporation indicated an average of over 50 cents a ton. While the original cost of a mining property is not a reliable indication of its value subsequently, it is impossible to accept an average valuation of as much

as 50 cents per ton for the ore of the Steel Corporation, in view of the low actual cost of the enormous quantity acquired during this period. There is no satisfactory explanation why ore, which, for purposes of purchase from outside concerns, is worth only a few cents per ton suddenly becomes worth 50 cents by the mere act of transfer to the United States Steel Corporation. Therefore the inevitable conclusion is that the Steel Corporation's appraisal of 1907, just as its estimate in the Hodge suit in 1902, placed an extravagant valuation upon its ore property.

It should be pointed out that the bulk of the Steel Corporation's ore property in 1907 consisted of leaseholds and not ore in fee. For the mining of ore from such leaseholds, the Corporation must, of course, pay a royalty. In other words, for the greater part of its ore property the Steel Corporation merely had an equity interest in the ore. It is inconceivable that this equity, together with the value of the ore owned in fee, could have been anything like the total valuation claimed by the Steel Corporation in its foregoing appraisal, although this equity in old leases had increased somewhat during this period, owing to some advance in the average rates of royalty on new leases.

GREAT NORTHERN ORE LEASE.—As noted above the Corporation in its valuation of its property in 1907, did not enter anything for the value of the Great Northern or "Hill" ore lease. This lease, on account of the royalties provided therein, has often been referred to as an indication of the increased value of Lake ore.

The Great Northern Railway interests, which had acquired control of immense tonnages of ore by purchase or lease for the protection of the traffic of their railroad, transferred the larger part of these holdings by lease to the Steel Corporation at the beginning of 1907. Under this lease the Steel Corporation agreed to mine the ore and ship it over the Great Northern Railway and, substantially, to pay, for the year 1907, a royalty at the rate of 85 cents per ton on dried ore containing 59 per cent iron. In each successive year the royalty was to be increased by 3.4 cents per ton. For ores richer or leaner in iron a sliding scale of royalties was provided which was also subject to the same yearly additions of 3.4 cents. Very high minimum tonnages were also agreed upon, increasing from 750,000 tons in 1907 to 8,250,000 tons in 1917, after which a fixed minimum of 8,250,000 tons was stipulated. It was provided that the Steel Corporation might cancel the lease January 1, 1915, on giving 2 years' notice.

While the average royalty which will actually be payable under this lease will depend on the quality of the ore shipped, the indications from the royalties paid on shipments up to 1910, inclusive, are that the average iron content has not fallen very much below the 59 per cent grade of ore.

A royalty of 85 cents with annual increases of 3.4 cents is absolutely unprecedented in the Lake ore trade. It is true that one or two leases have been made for small and exceptionally valuable ore deposits with fixed royalties of $1 per ton. The royalties, however, on all new leases, other than the Hill lease, which the Steel Corporation has made from the beginning of 1907 to the present time apparently will not average over 40 cents per ton. Moreover, there is no indication that either the average quality of the ore on the Hill lease or the costs of mining it justify the payment of exceptionally high royalties. The royalties stipulated in the Hill lease, therefore, were and are still far above the market value.

The only reasonable explanation of this extraordinary transaction is that the Steel Corporation desired to prevent this ore either from being mined and sold to independent producers, thus possibly depressing the price of ore, or from being utilized by the Hill interests to build up a new and dangerous competitor in the iron and steel business, thus depressing the market prices of iron and steel products. The Steel Corporation was the only concern in the iron and steel business which was strong enough financially and which had a sufficiently large productive capacity even to consider the taking over of such a large quantity of ore at such a high royalty.

The Steel Corporation expressly disclaims any intention to head off competition by this lease, and asserts that it merely desired to strengthen its ore reserves. Whatever the motive for this transaction, its practical effect was to forestall competition as well as to increase the Corporation's control of the ore resources of the country. As the rate of royalty agreed on was greatly in excess of current market rates on ordinary transactions, it is not surprising that the Corporation made no claim to an increase of its assets on account of this lease.

The high royalty named in this lease, therefore, instead of being indicative of a marked enhancement in ore values, is rather evidence of the extent to which the Steel Corporation was willing to go in order to prevent this ore from falling into the hands of rival interests.

INVESTMENT OF STEEL CORPORATION AT THE CLOSE OF 1910.

The Steel Corporation has made no detailed appraisal of its properties since the close of 1907. The Bureau's computation of the investment in the Corporation's property down to the close of 1910 is given in the following table:

INVESTMENT IN TANGIBLE PROPERTY OF STEEL CORPORATION ON DECEMBER 31, 1910, AS COMPUTED BY BUREAU.

Description.	Investment 1901.	Net additions 1901–1910.[1]	Total investment Dec. 31, 1910.
Fixed property (exclusive of Gary and Tennessee Coal, Iron and Railroad Company):			
Manufacturing	$250,000,000	$133,338,905	$383,338,905
Iron ore	100,000,000	34,145,450	134,145,450
Coal and coke	80,000,000	18,425,982	98,425,982
Transportation	91,500,000	50,666,405	142,166,405
Miscellaneous fixed property	24,000,000	2,741,012	26,741,012
Other assets:			
Deferred charges	2,088,027	13,243,678	15,331,705
Investments	241,030	2,128,364	2,369,394
Sinking funds	239	16,067,666	16,067,905
Current assets	134,224,089	101,683,544	235,907,633
Total	682,053,385	372,441,006	1,054,494,391
Gary plant[2]		69,978,695	69,978,695
Tennessee Coal, Iron and Railroad Company		[3]59,445,358	59,445,358
Adjustments[4]		3,063,594	3,063,594
Grand total	682,053,385	504,928,653	1,186,982,038

[1] As per table on page 41.
[2] Includes city of Gary and railroad property.
[3] Original cost of fixed property and additions thereto since its acquisition.
[4] Sundry adjustments made in the balance sheet without distribution by classes of property.

The Bureau has therefore computed the actual investment of the Steel Corporation in its various properties at the close of 1910 at $1,186,982,038. This compares with a total valuation in April, 1901, of $682,053,385. In other words, during the period from April, 1901, to December 31, 1910, the Corporation has made an additional net investment in its properties of no less than $504,928,653. Of this amount, roughly, $435,000,000 was virtually provided from earnings These amounts, it should be noted, are over and above the allowance for ordinary maintenance and repairs and for actual net depreciation as given above (p. 41).

This great addition to the investment of the Steel Corporation has eliminated a considerable amount of the "water" in the original capitalization of the company. The increase in the investment does not, however, exactly measure the amount of water or inflated capitalization thus offset, partly because the capitalization of the Corporation has not been the same. In the first place, the capitalization has been considerably increased, particularly through the issue of new bonds and other forms of indebtedness and also through the assumption of liabilities of several concerns which have been acquired. On the other hand, a part of this increase has been offset by

the liquidation of a part of the bonded indebtedness. Although the preferred stock of the Corporation was reduced in 1903 by $150,000,000, this was accomplished only by a corresponding increase in the bonded debt, by the so-called bond conversion plan, a severely criticized operation and one involving certain objectionable features, fully discussed in the body of the report. The total net outstanding capitalization of the Steel Corporation on December 31, 1910 (including with the capitalization the purchase-money obligations and real-estate mortgages, as in previous instances, but excluding $620,352 par value of stocks of subsidiary companies not held by United States Steel Corporation), was $1,468,033,260. The excess of the capitalization over the indicated investment ($1,186,982,038) was, therefore, $281,051,222, whereas at its organization in 1901 the disparity between the two figures was $720,846,817.[1] It is apparent, therefore, that a large part of the water in the capitalization, as it may be called, has been eliminated.

The Steel Corporation undoubtedly would contend that there was not a disparity of $281,000,000 between its capitalization and the actual value of its property at the close of 1910. Indeed, the Steel Corporation in its balance sheet of December 31, 1910, claimed total assets (after deduction of current liabilities) of approximately $1,693,000,000, or, roughly, $225,000,000 over and above the outstanding capitalization as above stated. Of this excess $164,000,000 was surplus and the balance sundry reserves. This balance sheet valuation, it will be seen, is about $500,000,000 in excess of the investment as computed by the Bureau.

The Steel Corporation in defending its 1910 book valuation undoubtedly would rely in the main upon two considerations—first, that there has been an appreciation in its natural resources, particularly ore, and second, that there is a so-called "merger value" attaching to its properties because of their combination and coordination under a single control.

So far as the ore is concerned, there has been no such marked appreciation as the Steel Corporation claims. Moreover, a considerable part of whatever actual appreciation has occurred in ore values undoubtedly is due to the rapid concentration of ore property in the hands of a comparatively few interests, and especially in the hands of the Steel Corporation itself.

With respect to "merger value," it is probably true that the various properties acquired by the Steel Corporation, taken together with the organization of this company as a going concern, do have a value in excess of the sum of their values as separate entities. The coordination and integration made possible by the combination of such properties under a single control undoubtedly tend to reduce costs either through economies or through removing the necessity

[1] In arriving at this figure the investment in 1901 was taken at the round sum of $882,000,000. (See p. 37.)

of paying profits to others. Further, in so far as the concentration of the industry under the control of a single concern gives to it a monopolistic power over production and prices, this may result in an increase in its earning power and consequently in an increase in its value as a going concern. This involves, however, the reduction of actual or potential competition. Indeed, much of what is ordinarily termed merger value, in so far as it exists, is to a greater or less degree a monopolistic value. To allow a single company, which has secured the bulk of a given industry, credit for such merger value, as a basis on which to earn profits, raises, therefore, a question of far-reaching public policy. In the absence or ineffectiveness of competition, either actual or potential, earnings might be obtained which, if capitalized at an ordinary rate of profit, would give a value or capitalization greatly in excess of the real investment. To regard a valuation so arrived at as justifying such profits under these conditions would be reasoning in a circle, because the real question is whether the profits themselves, used to determine the capitalization, were reasonable. For the reasonableness of profits, only two criteria are practically available, namely, first, the existence of free and fair competition, and, second, the rate of profit on the actual investment. Of these two criteria the second is the only practicable one available, where competition is not effective. Therefore both because of the vital issue involved, as well as because of the practical consideration of establishing an investment which shall permit of intelligent discussion of profits, the Bureau, while admitting there is an element of merger value in a going concern, either from great concentration of control, monopolistic power, or other influences, has made no addition therefor to the investment of the Steel Corporation.

PROFITS OF THE STEEL CORPORATION.

The profits earned upon the investment of the Steel Corporation, as computed by the Bureau, have averaged 12 per cent for the entire period from 1901 to 1910. The extreme range was from 7.6 per cent in 1904 to 15.9 per cent in 1902.

In making a comparison of profits with investment, certain revisions of the profit statements as published by the Corporation in its reports were necessary to conform to the revisions made by the Bureau in the investment. Thus, as the Bureau has considered the investment as a whole and not merely the equity over and above bonded indebtedness, the total earnings on that investment, before payment of interest on such indebtedness, should be used; that is to say, the problem is to determine what the investment as computed by the Bureau has actually earned and not how the return on that investment has been distributed among the different security holders.

Therefore, the Bureau did not deduct interest charges from the earnings as reported by the Corporation. The usual operating, administrative, and general expenses were, of course, deducted, and also taxes, in accordance with the usual practice of corporations.

Moreover, the Bureau did not deduct certain locked-up inventory profits, so called; that is, intercompany profits on sales of materials between subsidiary companies, which have not been realized by final sale to outside interests. Such locked-up inventory profits are tentatively deducted from the earnings in the profit statements of the Corporation but are carried as a suspended surplus. While the treatment of this item is debatable, it appeared to the Bureau reasonable not to deduct such locked-up profits. Even assuming that a large part of these inventories were to be sold at figures which would fail to realize these provisional profits, on the other hand the Corporation probably would stock up again with low-cost inventories on which there would subsequently be an offsetting profit. It is a fair presumption that the bulk of these locked-up profits will eventually be realized.

The Bureau has also revised the profit statements of the Corporation by readjustment of depreciation charges. As shown above, in discussing the investment, a portion of the amounts provisionally set aside by the subsidiaries of the Corporation for depreciation really were excessive, judged from the standpoint of investment as computed by the Bureau, representing either unnecessary provisions or else amounts which were directly applied to capital additions to the property. The aggregate of these excess provisions during the period from 1901 to 1910 was approximately $38,000,000. This amount has therefore been restored by the Bureau (properly distributed by years) to the profits as shown by the Corporation's reports. (That portion expended in additions to the property has also been included in the investment.) The amounts written off from surplus by the Corporation itself to offset inflation of capitalization have not, of course, been deducted, since these have no bearing whatever upon the true depreciation of the property nor upon the true earning power of the Corporation.

There are one or two other items concerning which there might be some difference of opinion, as, for instance, the amounts set aside each year to provide for the issuance of stock on a profit-sharing basis to employees of the Corporation. Since, however, it might be argued that the amounts thus set aside really were equivalent to additional wages, and since they have been deducted from the gross earnings by the Corporation itself, the Bureau has allowed these deductions to stand.

The net result of the revisions made by the Bureau in the profit statements of the Corporation on account of these various items is

indicated by the following table, which shows the net earnings as reported by the Corporation (these being the earnings before deducting interest on bonds of the United States Steel Corporation itself, and sinking-fund provisions on such bonds, but after allowing for sinking-fund provisions on bonds of subsidiary companies, which are in the main regarded as representing actual depreciation of property), together with the amounts restored or added by the Bureau, and the finally adjusted total:

ACTUAL EARNINGS OF STEEL CORPORATION ON ITS TOTAL INVESTMENT, AS COMPUTED BY BUREAU, 1901-1910.

Year.	Net earnings, as shown by annual reports.	Adjustments by Corporation in sundry accounts.	Amounts restored to earnings by Bureau.			Total adjusted earnings.
			Interest on bonds, mortgages, and purchase-money obligations of subsidiary companies.	Locked-up profits in inventories.	Excessive depreciation allowances.	
1901 [1]	$75,006,230.89		[2]$4,500,000.00	([3])	—$1,765,000.00	$77,741,230.89
1902	108,534,374.25	—$1,207,886.84	6,113,584.34	([3])	8,062,272.00	121,502,343.75
1903	83,675,786.51	— 5,427,540.33	6,553,861.06	([3])	9,354,851.00	94,156,958.24
1904	[4]57,791,196.80	+ [4]13,108.34	6,573,146.54	—$1,254,336.48	— 631,165.00	62,491,950.20
1905	96,432,595.93	— 99,253.75	6,710,214.73	6,307,189.83	3,480,088.00	112,830,834.71
1906	125,966,938.13	— 90,501.19	6,561,478.70	2,739,403.74	8,216,388.00	143,393,707.38
1907	133,244,929.28	— 681,515.82	6,492,195.42	9,744,692.51	6,616,572.00	155,416,873.69
1908	74,882,529.11	+ 394,034.59	7,401,205.18	426,963.85	1,683,543.00	84,793,295.73
1909	107,773,099.96	+ 548,445.06	7,887,178.18	2,617,395.54	1,981,460.00	120,807,578.76
1910	116,738,157.80	— 818,182.64	7,263,453.66	2,751,307.06	1,281,348.00	127,216,083.90
Total	980,045,838.66	— 7,369,292.29	66,056,317.81	23,332,636.07	38,285,357.00	1,100,350,857.25

[1] Nine months.

[2] Approximated; this amount never computed by the Corporation.

[3] In these years these inventory profits were not deducted by the Corporation and hence need not be restored.

[4] After deducting employees' bonus fund, which in this year was taken out after stating net earnings, but which in other years is deducted before determining the net earnings.

In the following table the yearly earnings as thus computed by the Bureau are compared with the revised investment.

COMPARISON OF INVESTMENT OF STEEL CORPORATION, WITH TOTAL EARNINGS THEREON, AS ADJUSTED BY BUREAU, YEARLY, 1901-1910.

Year ended Dec. 31—	Total investment in tangible property.	Earnings as adjusted by Bureau.	
		Amount.	Per cent.
1901 [1]	$698,899,755	[1] $77,741,231	[2] 14.8
1902	763,574,919	121,502,344	15.9
1903	806,615,979	94,156,958	11.7
1904	818,238,143	62,491,950	7.6
1905	874,940,920	112,830,835	12.9
1906	947,897,894	143,393,707	15.1
1907	1,078,763,602	155,416,873	14.4
1908	1,090,425,487	84,793,296	7.8
1909	1,146,875,993	120,807,579	10.5
1910	1,186,982,038	127,216,084	10.7
Total		1,100,350,857	
Average	941,268,472	[3] 112,856,498	12.0

[1] Nine months, April to December; investment includes additions during this period.
[2] Indicated rate per annum based on actual earnings for nine months.
[3] Average yearly profits for nine and three-fourths years.

As already stated, the average for the period from April 1, 1901, to December 31, 1910, is 12 per cent. The average rate for the first four and three-fourths years was 12.5 per cent, as against 11.6 per cent in the five years from 1906 to 1910. Therefore, in so far as any tendency may be noted, it is toward a lower rate of profit in recent years.

The table shows that in the years 1904 and 1908, which were years of rather marked depression in the iron and steel business, the rate of profit of the Steel Corporation fell to 7.6 per cent on the investment in 1904 and 7.8 per cent in 1908, as compared with a maximum profit of over 15 per cent in 1902 and 1906. Prior to the formation of the Steel Corporation and other large consolidations, the iron and steel industry was noted for violent changes in the rate of profit, the industry, indeed, having been aptly termed either "prince or pauper." This table shows that so far as the Steel Corporation is concerned the business, although still subject to marked fluctuations in profits, has, even in the most depressed years of this period, shown a substantial return on the actual investment.

It should be pointed out that an average rate of 12 per cent for a concern of the size of the Steel Corporation, which embraces more than one-half of the entire iron and steel industry of the country, has a very different significance than the same rate in the case of a relatively small concern. While exceptionally efficient or fortunate concerns in the steel business may earn rates in excess of this average, on the other hand a great many of the less efficient companies undoubtedly earn very much smaller rates, while in some instances the business

is conducted at a loss. Therefore, an average rate of 12 per cent for over one-half of the entire steel business of the country is much more significant than the same rate or even a larger rate for a comparatively small concern. It probably means that the return on a considerable proportion of the business of the country, which under more competitive conditions and more scattered ownership would be conducted at a lower rate of profit, has been considerably increased.

It may also be noted that the investment includes a large amount of idle property, particularly unimproved ore reserves, which, of course, tends to reduce the rate. However, the investment in undeveloped iron-ore property as computed by the Bureau is not so great as to very materially affect the rate of profit. Nevertheless it is worth emphasizing that the rate of profit here given includes not only the iron and steel industry proper, but also the iron-ore mining industry. Prior to the era of consolidation the latter, to a large extent, was distinct from the manufacture of iron and steel, and under the scattered ownership of iron-mining properties then prevailing profits generally are understood to have been comparatively low, on the average. Under present conditions in the iron and steel industry, however, the Lake iron-ore industry is one of the most profitable branches of the business. This factor should be considered, therefore, in comparing the profits of the iron industry at the present time with those obtained under the different conditions formerly prevailing.

The rate of earnings on the investment of the Steel Corporation as computed by the Bureau is, of course, considerably larger than the rate of net profit upon the capitalization, as indicated by the annual reports of the Corporation, because the investment as established by the Bureau is very much less than the capitalization. The rate of 12 per cent here given, it should be clearly understood, covers the entire investment in the property, whether represented by capital stock or bonded debt. This rate of earnings on the total true investment understates the rate which accrues to the benefit of the Steel Corporation (or the stockholders as distinguished from the stockholders and bondholders combined) on that part of the true investment which may be considered as represented by the capital stock. That is to say, if that part of the true investment for which bonds were issued were deducted from the total true investment, and a corresponding amount of bond interest at the rates paid by the Corporation were deducted from the earnings, then a comparison of the remainder of the investment with the remainder of the earnings would indicate a considerably higher average profit than 12 per cent. Such a computation, however, can not be made in a definite or satisfactory manner, particularly because the original

bond issues of the Corporation did not correspond with the true value of the property for which they were issued. Therefore, to deduct them from the true investment would leave an unduly low remainder for the capital stock and unfairly exaggerate the rate of profit on that part of the true investment which may be considered as contributed by the stockholders.

Hence the Bureau does not attempt to give in definite figures the rate of profit earned by the Steel Corporation on the true investment represented by its capital stock, but merely calls attention to the fact that the rate of profit above shown is not the rate earned on that part of the true investment which may be considered as contributed by the stockholders, but a lower rate earned on the total true investment and accruing to the stockholders and bondholders combined.

POSITION OF STEEL CORPORATION IN THE INDUSTRY.

The Steel Corporation, despite its great size, is not exempt from competition. Indeed, the evidence on the whole indicates that competition in the industry has steadily been increasing. Notwithstanding the great additions made by the Corporation to its properties from earnings and the acquisition of several important competing concerns, its proportion of the business in nearly every important product except pig iron and steel rails is less than it was in 1901. This is shown by the following table of percentages compiled by the Corporation from its own figures in connection with data gathered by the American Iron and Steel Association:

PROPORTIONS OF OUTPUT OF PRINCIPAL IRON AND STEEL PRODUCTS PRODUCED BY UNITED STATES STEEL CORPORATION AND BY INDEPENDENT COMPANIES, RESPECTIVELY, IN 1901 AND 1910.

Products.	Steel Corporation's percentages.		Independent companies' percentages.	
	1901.	1910.	1901.	1910.
Pig iron, spiegel, and ferro	43.2	43.4	56.8	56.6
Steel ingots and castings	65.7	54.3	34.3	45.7
Rails	59.8	58.9	40.2	41.1
Structural shapes	62.2	[3] 47.0	37.8	[3] 53.0
Plates and sheets of all kinds [1]	64.6	[3] 49.7	35.4	[3] 50.3
Black plate produced in tin mills	79.8	52.9	20.2	47.1
Coated tin-mill products	73.1	61.1	26.9	38.9
Black and coated sheets produced in sheet mills	67.3	38.9	32.7	61.1
Wire rods	77.7	67.3	22.3	32.7
Wire nails	68.1	55.5	31.9	44.5
Wrought pipe and tubes [2]	57.2	38.2	42.8	61.8
Seamless tubes [2]	82.8	55.3	17.2	44.7

[1] Includes sheets for tinning, galvanizing, and other coatings.

[2] These percentages are based on capacity and not production. The capacity of independent companies is, moreover, partly estimated.

[3] For 1909; figures for 1910 not available.

The Steel Corporation did not compute its percentage of the ore production of the country. Its proportion of the production of Lake Superior ore, such ore being practically the basis of the steel industry (arrived at by comparing the known production of the Steel Corporation with the total production as estimated by the Geological Survey), fell from 60.6 per cent in 1901 to 51.6 per cent in 1909 (figures for 1910 not being available).

This table shows that whereas the Steel Corporation in 1910 had fully maintained the share of the country's total production of pig iron which it held in 1901, its proportions of the production of nearly all steel products had declined, and in most cases sharply declined. The only important exception was steel rails. The maintenance of its proportion here is chiefly due to the erection of a very large rail mill at the new Gary plant and to the acquisition of the Tennessee Coal, Iron and Railroad Company, which had a considerable steel rail production..

Taking the production of steel ingots and castings as a basis it will be seen that the Steel Corporation's percentage of the total fell from 65.7 per cent in 1901 to 54.3 per cent in 1910. This figure, perhaps, is the best single criterion by which to judge the change in the Corporation's position in the steel industry from a producing standpoint. It will be seen that the Corporation's proportions of production of black plate, coated tin mill products, and black and coated sheets, fell off to a very marked extent, which indicates that competition has been particularly active in these branches. Its share of the production of wrought pipe and tubes and of seamless tubes likewise fell off very heavily. In wire products the Corporation has maintained its relative position rather better, but even in these there has been a marked recession in the percentages of the business done.

It should be noted that the decline in the production shown by this comparison of the 1901 and 1910 percentages was practically continuous for most products throughout the entire period. However, the actual output of the Corporation has shown a very great increase. For example, the Steel Corporation's production of crude steel ingots, which is typical of its total business, increased from 9,743,918 tons in 1902 (the first full year of operations) to 14,179,369 tons in 1910, an increase of 45.5 per cent.

While, however, these statistics clearly show the existence of active competition in production, it should be clearly pointed out that such competition has not been so evident with respect to prices, where it has been materially modified by the existence of a price policy described as "cooperation." This will be discussed in a later part of the report.

While the Corporation's proportion of the production of both raw materials and finished products thus shows a marked decrease, the proportions given do not fairly represent the true position of the Corporation in the industry as a whole. In iron ore, in particular, the Steel Corporation undoubtedly occupies a dominating position. The Corporation's holdings of what are now regarded as commercially available ores exceed those of all other iron and steel interests combined. It should be clearly understood that the ores of the Lake Superior region substantially form the basis of the steel production of the country at the present time. While the Steel Corporation has very extensive holdings of ore elsewhere, the great bulk of its ore holdings are in the Lake Superior district. In 1907 the holdings of the Steel Corporation in Minnesota, which State includes the Mesabi and Vermilion ranges, according to a carefully prepared schedule of the Minnesota Tax Commission, amounted to about 913,000,000 tons, or 76 per cent of the total ore deposits for the State.

The Corporation's proportion for the whole Lake Superior region, including the old ranges in Michigan, is apparently about the same. Authoritative data submitted to the Senate Finance Committee in 1909 by a prominent iron manufacturer with the Steel Corporation's consent showed that the Corporation itself then reckoned on about 1,625,000,000 tons of Lake ore, of which 1,258,000,000 tons was of the current commercial standard. An estimate of a prominent mining engineer, submitted to the Finance Committee at the same time, placed the total reserves of Lake ore of the commercial standard at about 1,600,000,000 tons. On this basis, therefore, the Steel Corporation would have had over 75 per cent of the total commercially available ore in the entire Lake Superior region. Of course, the ideas of the consulting engineer and those of the Steel Corporation's experts as to what were commercially available ores may have differed somewhat, but it is not likely that the proportion of ore controlled by the Steel Corporation as shown by these two estimates is too high, because both of these statements were submitted by the manufacturer in question together with extensive data for other ore supplies in the United States for the avowed purpose of proving that the proportion of the ore supply controlled by the Steel Corporation was less than 85 per cent of the total supply. In 1908 the commercially available ore of the Lake Superior region, as computed by the United States Geological Survey, for the Conservation Commission, was 3,500,000,000 tons, but the iron content assumed as a basis for available ore was considerably lower than in the two preceding estimates, thus greatly increasing the total quantity. This and other evidence indicates that the Survey estimate is not fairly comparable with that of the Corporation.

In this connection it may be stated that the chairman of the Steel Corporation, in his testimony before the Ways and Means Committee in 1908, admitted that the Corporation had control of the ultimate ore supply of the whole country. Later, however, in 1911, in testimony before a special committee of the House of Representatives, he materially modified that statement.

In discussing the Corporation's position in the ore industry account must be taken of the fact that new discoveries of ore are constantly being made, and also that when somewhat lower grades of ore become commercially available the total reserve will be greatly increased. The use of ore of much lower grade involves, however, much higher costs of production, so that any concern which has substantial control of the best grades of ore would under such circumstances be in a position to obtain an enormous increase in profits. Taking conditions as they are to-day, there can be no doubt that the Steel Corporation has control of the great bulk of the commercially available ores of the Lake Superior district, its proportion probably being about three-fourths of the total. In addition, of course, it has there a large amount of low-grade ore, as well as immense deposits in the South. The Corporation's total ore holdings may be conservatively placed at more than 2,500,000,000 tons.

The system of leasing ore mines, as employed in the Lake region, is important in this connection. A very large part (approximately two-thirds in 1910) of the Corporation's total holdings in the Lake region is held by lease. Frequently there is no initial investment in such leaseholds, and even where a bonus is paid it is usually small, while the minimum tonnage on which royalty must be paid, whether mining operations are conducted or not, is generally unimportant. The Hill lease is, of course, as above shown, a very marked exception in the last respect.

It will be seen, therefore, that this ore-leasing system, where there is no limit placed on the number of leases that can be combined under a single interest, greatly facilitates the gathering in by a great concern like the Steel Corporation of a vast amount of ore reserves, far in advance of any commercial need for them. This not only prevents others from getting such property but also secures to such a concern the benefit of any appreciation in value which may come about either from natural causes or as a result of this very concentration of ownership. Obviously, a system which thus lends itself to such marked concentration of ore property for many years in advance (a common term of lease being fifty years), at a comparatively small cost, involves questions of the highest public importance. It might be said that the lease system as thus applied in the Lake ore region really affords an opportunity for a wealthy interest to attempt a corner in ore reserves on what is, in effect, a

margin basis. Of course, in such extensive acquisitions there is a decided speculative risk, just as in similar efforts to control commodity markets, particularly, the possibility of the discovery of available deposits elsewhere, or new methods of mining which may render what are now nonavailable ores available for present commercial purposes.

The dominating position in the ore industry enjoyed by the Steel Corporation through this great ownership of ore reserves is heightened because of its very marked degree of control of the transportation of ore in the Lake Superior district. The Corporation owns two of the most important ore railroads, the Duluth and Iron Range Railroad and the Duluth, Missabe and Northern Railway. The ore rates on these railroads are about 1 cent per ton-mile. Their operating expenses are very low, that of the Duluth, Missabe and Northern in 1910 being below 30 per cent of gross earnings as against an average of 66 per cent for all the railroads of the country. The net earnings of these ore railroads, which are chiefly from the ore traffic, are phenomenal. This has the practical effect of reducing the Steel Corporation's net cost of ore to itself at upper Lake ports and, on the other hand, of increasing that cost to such of its competitors as are dependent upon the Corporation's railroads for transportation.

Hence, not only on account of its great holdings of ore but also on account of these peculiar advantages enjoyed in the transportation of the ore the Steel Corporation occupies an extremely commanding position in the iron and steel industry. Indeed, in so far as the Steel Corporation's position in the entire iron and steel industry is of monopolistic character it is chiefly through its control of ore holdings and the transportation of ore.

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No. 10

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WASHINGTON
1911

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
Monday, July 24, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

Mr. LINDABURY. I find some errors in the published report of Judge Gary's report to the board of directors in 1906, read in a question at the last session of the committee, which ought to be corrected.

The CHAIRMAN. What is the error?

Mr. LINDABURY. You will need a copy of the report to have them pointed out. I have them noted in my copy of the minutes, but you could hardly follow me without a copy before you.

The CHAIRMAN. We will take that up later. They are clerical errors of not great importance.

Mr. LINDABURY. One or two are important. By the way, the minutes do not show the word——

The CHAIRMAN (interposing). Necessarily?

Mr. LINDABURY. It was a mistake of your stenographer. That is not the only one that I want to correct.

The CHAIRMAN. Did you bring the minutes?

Mr. LINDABURY. I brought a copy of the minutes so far as they show that report. There are one or two errors that I would call your attention to if you had the record. An important one occurred toward the end, where, as you read it, the report was made to say that the corporation was traveling in some respects "over the line between propriety and impropriety." That word "over" should be "near."

The CHAIRMAN. What is that?

Mr. LINDABURY. As you read one part of it, the report was made to say that the corporation in some respects was traveling "over the line between propriety and impropriety."

The CHAIRMAN. That was my mistake; it should have been "near the line."

Mr. LINDABURY. It appears in the minutes "over the line," which might be significent.

The CHAIRMAN. I think we can agree on that.

Mr. Bonniwell will please take the stand.

STATEMENT OF EUGENE C. BONNIWELL.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Where do you reside?

Mr. BONNIWELL. I reside at 120 West Lancaster, Wayne, Delaware County, Pa.

The CHAIRMAN. How long have you lived in that place?

Mr. BONNIWELL. Well, I have lived in Delaware County five years. I am a practicing member of the Philadelphia and Delaware County bar. My home prior to that time was in Philadelphia.

The CHAIRMAN. How far do you live from the town of Coatesville?

Mr. BONNIWELL. Thirty or forty miles—Coatesville is in the Seventh Congressional District, comprising Delaware and Chester Counties.

The CHAIRMAN. Are you an attorney?

Mr. BONNIWELL. I am a practicing member of both the Delaware and Philadelphia County bars.

The CHAIRMAN. I believe you were the nominee of your party for Congress?

Mr. BONNIWELL. The Democratic and Keystone Parties nominated me for Congress in the seventh district.

The CHAIRMAN. You know Mr. Kauffman, the printer of a newspaper in Coatesville?

Mr. BONNIWELL. Yes, sir.

The CHAIRMAN. You know him personally?

Mr. BONNIWELL. Yes, sir. If I may be permitted, I will simply state what I happen to know in connection with this matter. Mr. Kauffman was one of my most valuable supporters in that contest.

The CHAIRMAN. Is he your client?

Mr. BONNIWELL. As a result of the relations brought about by this Keystone fight, Mr. Kauffman, after the election of 1910, visited me professionally in my office in Philadelphia in connection with a proposed incorporation of his newspaper. Of course, we naturally harked back to the congressional fight.

The CHAIRMAN. We are not interested in that.

Mr. BONNIWELL. I know; but what this committee is interested in came about as a result of this conversation. It was suggested that the investigation that this committee was making was a matter of vital importance to the people of the district that I sought to represent, because of several large steel concerns in that district, and Mr. Kauffman said that he had 10 years ago made up a paper for the Lukens Iron Co. that he thought might bear upon the investigation of this committee, and that he did not know but what he still had a copy of it. I asked him if he had such a thing if he would not let me see it. He said that it was in his brother's possession, but he would endeavor to get it. Some days afterwards he came and brought it down to my office, and it proved to be a trust or pooling agreement entered into by 10 or 12 of the large steel concerns.

The CHAIRMAN. Did you advise him as to what his duty in the matter was as a good citizen?

Mr. BONNIWELL. I advised him that it was his duty to present the paper to this committee, and he agreed that I should advise the committee that I had the paper.

The CHAIRMAN. Did he give you the original printer's copy?

Mr. BONNIWELL. Yes, sir.

The CHAIRMAN. Have you that copy in your possession?

Mr. BONNIWELL. Yes, sir.

The CHAIRMAN. Please furnish it to the committee.
Mr. BONNIWELL. With pleasure. [Handing chairman agreement.]
Mr. YOUNG. Where is the signed contract?
The CHAIRMAN. We have been trying to find out.
Mr. YOUNG. It seems to me that would be the one which should be submitted.
The CHAIRMAN. That would be much better, but it is not so easy to get.
Mr. YOUNG. It would be of far more importance.
The CHAIRMAN. Exactly.
I will now ask Mr. Kauffman to take the stand.

STATEMENT OF S. B. KAUFFMAN.

(The witness was duly sworn by the chairman.)
The CHAIRMAN. What is your business?
Mr. KAUFFMAN. I am a printer.
The CHAIRMAN. Where do you live?
Mr. KAUFFMAN. Coatesville, Chester County.
The CHAIRMAN. How long have you lived in Coatesville?
Mr. KAUFFMAN. I am a native of the town.
The CHAIRMAN. And have lived there all your life?
Mr. KAUFFMAN. Yes, sir.
The CHAIRMAN. What is your age?
Mr. KAUFFMAN. Fifty-one years.
The CHAIRMAN. In what business were you engaged in the year 1900?
Mr. KAUFFMAN. Printing.
The CHAIRMAN. Did you do a job-printing business?
Mr. KAUFFMAN. Yes, sir.
The CHAIRMAN. Did you at that time, along about the 9th of November, 1900, do any job printing for the Lukens Iron & Steel Co.?
Mr. KAUFFMAN. For A. F. Huston.
The CHAIRMAN. What did he want you to print?
Mr. KAUFFMAN. The agreement that you have in your hand.
The CHAIRMAN. Did you set this agreement up?
Mr. KAUFFMAN. I did, personally.
The CHAIRMAN. A. F. Huston was the president of what company?
Mr. KAUFFMAN. The Lukens Iron & Steel Co.
The CHAIRMAN. How did he have the printing done?
Mr. KAUFFMAN. He said he had it done as either president or secretary—I do not remember which, it has been 10 years ago—of the pool then forming.
The CHAIRMAN. I did not catch that.
Mr. KAUFFMAN. As an officer of the pool then forming.
The CHAIRMAN. Now, after you printed this for him and for this association——
Mr. LINDABURY (interposing). Perhaps I ought not to object—I know my privileges are extremely limited—but I do trust that the chairman will confine his inquiries somewhere within ordinary legal limits.
The CHAIRMAN. I think I am confining my inquiries within ordinary legal limits.

Mr. LINDABURY. Understand me to object at least to hearsay evidence.

The CHAIRMAN. Now, you say that you printed this agreement for Mr.——

Mr. KAUFFMAN (interposing). A. F. Huston, the president of the Lukens Iron & Steel Co.

The CHAIRMAN. Did Mr. Huston at that time make any statement to you as to who the contract was for?

Mr. KAUFFMAN. That he was having it printed as an officer of the pool then forming.

Mr. GARDNER. Did Mr. Huston make that statement?

Mr. KAUFFMAN. Yes, sir.

Mr. GARDNER. He made that statement to you?

Mr. KAUFFMAN. Yes, sir.

The CHAIRMAN. After that was anything said to you about the printing of this document; tell us all about it?

Mr. KAUFFMAN. A few days afterwards, after delivery, Mr. J. R. Van Ormer, then private secretary to A. F. Huston, came to the office and demanded the proofs and copies, and even went through our waste paper to find the scraps, and he took them away with him. He said that Mr. Huston had made a mistake in having it printed, and that he was told so by the then president of the Illinois Iron & Steel Co.

The CHAIRMAN. Do you remember his name?

Mr. KAUFFMAN. I do not.

The CHAIRMAN. The president said that he made a mistake.

Mr. KAUFFMAN. Yes, sir; and that it would put him in jail in Illinois if that got out.

The CHAIRMAN. How did he say it should have been printed?

Mr. KAUFFMAN. With a typewriter; that he should have kept it personal to himself, and should not have let it get out of his hands.

The CHAIRMAN. Had a typewriter do it?

Mr. KAUFFMAN. Yes, sir.

The CHAIRMAN. And that he should have remained with the typewriter while he was doing it?

Mr. KAUFFMAN. Stayed with him.

The CHAIRMAN. How did this copy happen to escape that search?

Mr. KAUFFMAN. I did not know that I had it at the time the search was made. My brother had taken that copy into our house and put it away.

The CHAIRMAN. As a printer, did you have a right to the printer's copy?

Mr. KAUFFMAN. We claim to have a right to the proof of everything that we print.

The CHAIRMAN. That is the custom with printers?

Mr. KAUFFMAN. Yes, sir.

The CHAIRMAN. You did not know that this copy was in existence?

Mr. KAUFFMAN. No, sir.

The CHAIRMAN. When did you happen to mention having this copy of the agreement?

Mr. KAUFFMAN. When this investigation commenced my brother told me that he had a copy of the agreement that we printed 10 years ago.

The CHAIRMAN. Did you mention it to anybody?

Mr. KAUFFMAN. Mr. Bonniwell.

The CHAIRMAN. I notice here this agreement says that the Lukens Iron & Steel Co. got 7½ per cent and Worth Bros. Co. got 7 per cent of the output of steel plates for the United States. Did either one of these men, at any time after this agreement was signed, say anything about their per cent under this pool?

Mr. YOUNG. This gentleman does not know that it was signed.

The CHAIRMAN. After it was printed?

Mr. KAUFFMAN. Yes, sir. Mr. Huston some time afterwards told me that the Worth people were always continually asking for their share of orders, to make their share up, while they had never asked the pool for any; that they always had their orders; their percentage.

The CHAIRMAN. Mr. Worth said that?

Mr. KAUFFMAN. Mr. Huston said that.

The CHAIRMAN. That he never had to call on the pool to help him?

Mr. KAUFFMAN. For their percentage.

The CHAIRMAN. But the Worth Bros. Co. had?

Mr. KAUFFMAN. Had to continually call on the pool.

The CHAIRMAN. How long was that after you printed this?

Mr. KAUFFMAN. Some time; I do not know.

The CHAIRMAN. About how long?

Mr. KAUFFMAN. About a year.

The CHAIRMAN. I will read this contract.

Mr. LINDABURY. Allow me to object, as there is no proof, no evidence, except mere hearsay, and that the dates already given were a year before the United States Steel Corporation was formed.

The CHAIRMAN. By the terms of this printed document it is effective for two years, and they can not retire from it in less than two years. I think it is valuable for another reason. It is practically the same agreement; this memorandum is in all essentials like, I am advised from the Department of Justice, the Steel and Wire agreement that is now known, and for that reason I will let it go in the minutes.

Mr. STERLING. Are there just two parties to this contract?

The CHAIRMAN. No, sir. Three of the parties are subsidiaries of the United States Steel Corporation.

Mr. STERLING. How many altogether?

The CHAIRMAN. Nine. I will read this agreement:

This agreement, made and entered into this 9th day of November, 1900——

Mr. YOUNG. Nineteen hundred and what?

The CHAIRMAN. 1900.

Mr. STERLING. How long does the contract provide?

The CHAIRMAN. There is a provision of the contract that nobody can retire from it in less than two years, and there is no limitation upon its continuance.

Mr. GARDNER. Do I understand the chairman to say that he has a communication from the Department of Justice to the effect that the terms are substantially——

The CHAIRMAN (interposing). That the indictments cite a contract just like this. I understand that the Department of Justice has a Steel & Wire contract that is similar to this. I have called on the Department of Justice for it. It is either here or in New York.

Mr. YOUNG. The chairman expects to follow this up with proof that this contract was signed and went into force?

The CHAIRMAN. I have issued processes. When I read the contract you will see that it recites where it is to go, where it is to stay, what bank is to hold it, and all that sort of thing.

Mr. GARDNER. I understand that the Democratic side of this committee has seen that contract already.

The CHAIRMAN. I never heard of it before.

Mr. GARDNER. I will say that Mr. Littleton mentioned the fact to me. The Republican side has heard nothing of it.

The CHAIRMAN. I wish to say to the committee in frankness that I can see no possible politics in it one way or the other. This contract got here yesterday. This gentleman [indicating] brought it here last night about 11 o'clock. I was talking with Mr. Littleton and mentioned it, and he got in a taxicab and came down to the office.

Mr. GARDNER. Mr. Littleton spoke to me about it three days ago.

Mr. YOUNG. Have the custodians of the signed contract, the real contract, been subpœnaed to be here to-day and bring the contract?

The CHAIRMAN. Yes, sir; to bring this contract. I do not think any member of the committee, except Mr. Littleton, has seen it or knows anything about it. I just spoke to him about a copy that I had in advance. Certainly there has been no attempt to show any discourtesy to the members of the committee. You can understand that gentlemen friendly, as Mr. Littleton and I, discuss matters of common interest.

Mr. GARDNER. At the same time you must recognize that we on our side are entitled to find out before that is read the way in which it comes before this committee.

The CHAIRMAN. I wish to take the whole committee into my confidence as to anything in my files or anything I have, to extend Kentucky hospitality to every member of the committee to come in and spend as much time as they can spare—to drop in on me like Mr. Littleton does—and I will be delighted to show you everything. They come from everywhere.

Mr. YOUNG. I understand the chairman to say that the custodians provided for in this agreement itself have been subpœnaed to bring the real agreement. Are they subpœnaed to be here to-day?

The CHAIRMAN. Some to-day and some to-morrow.

Mr. YOUNG. Why not get the original agreement?

The CHAIRMAN. I wish I could. I am advised that this copy is substantially like the copy of the wire agreement that is now in the Department of Justice.

Mr. YOUNG. If we have the original agreement, why take this one?

The CHAIRMAN. I have not the original agreement here now. This witness did not bring it.

Mr. YOUNG. That is what I am trying to find out.

Mr. LINDABURY. Will you allow me to say a word?

The CHAIRMAN. Yes, sir.

Mr. LINDABURY. In the first place, I will say that the chairman must be in error in his statement that this is like the Steel & Wire agreement set out in the Federal indictments which you referred to. I am entirely familiar with those Federal indictments, and there is no such agreement as this specified there. They describe a pool by arrangement entered into, engineered and controlled by a man named Jackson in New York, formed in 1908. Those are the Federal in-

dictments, and they set forth nothing of the character mentioned here.

In the second place, the secretary of the United States Steel Corporation was subpœnaed on Friday or Saturday to produce the original of this agreement. He gave me the subpœna, which I have here, and he authorized me to say that the United States Steel Corporation had neither the original nor any copy of this agreement, and never had, and that it has no document or paper connected with it or growing out of it.

The CHAIRMAN. I want a statement of the facts by the witness.

Mr. LINDABURY. That is our position, and for that reason, in fairness and justice to us, nothing like this, unproven and which may never be proven, ought to be put upon the records of this case. This case is against the United States Steel Corporation, and is not against somebody else, and we ought not to be subjected to the publication in your record or the newspapers or anywhere else of a paper of this kind, utterly unauthentic, and all connection with which we deny.

The CHAIRMAN. The Chair overrules that objection. [Reading:]

AGREEMENT A.

This agreement, made and entered into this 9th day of November, 1900, by and between Carnegie Steel Co., Jones & Laughlins (Ltd.), Illinois Steel Co., Crucible Steel Co. of America, Otis Steel Co., Tidewater Steel Co., Lukens Iron & Steel Co., Worth Bros. Co., Central Iron & Steel Co., the American Wire & Steel Co., the Glasgow Iron Co.—

Witnesseth that the above said parties have mutually agreed to and with each other to form an association for mutual interests, and to enable them to pay liberal wages to their workmen, to be known as the Steel Plate Association of the United States:

First. Each of the parties above named being manufacturers and sellers of steel plates, shall, by reason of such manufacture and sale, be entitled to membership in this association, and each of the parties hereto shall be entitled to portion of all shipments in the following proportions:

Carnegie Steel Co	46.25
Jones & Laughlins (Ltd.)	4.75
Illinois Steel Co	11.00
Crucible Steel Co. of America	4.50
Otis Steel Co	2.50
Tidewater Steel Co	3.00
Lukens Iron & Steel Co	7.50
Worth Bros. Co	7.00
Central Iron & Steel Co	8.00
American Steel & Wire Co	5.50

Glasgow Iron Co. to the extent of sales and output up to 40,000 tons, should they be able to accomplish them, prior to December 31, 1901.

Second. The officers of this association shall be as follows: A president, a treasurer, a commissioner, and an executive committee consisting of six members, including the president. The conclusions of the executive committee meetings shall be at once communicated to all the members of this association.

Third. Each member of this association shall, on or before the 10th day of December, 1900, and on or before the tenth day of each and every month thereafter during the term of this agreement, or any extension thereof, render to the commissioner of this association a statement, which statement shall be sworn to, or affirmed to, by one of the principal executive officers of the member so making the report, or in case the member so making the report is a copartnership, then, in that case, the report shall be sworn to, or affirmed to, by one of the firm holding membership in this association, which oath or affirmation shall be to the effect that the report so made is a true and correct report of all the material described in the first clause of this agreement, which was shipped by the member making the report during the month for which the report is

made; the form of the report, and oath of affirmation as to its correctness, shall be furnished by the commissioner, and shall include a statement of the rolling production for each month; and upon the commissioner's receiving from the respective members their reports, as aforesaid, he, the commissioner, shall render to each member monthly, as soon as possible after the receipt of all the statements of all the members, copies of statements last rendered by each member, and shall forthwith "state an account," charging each member who has shipped during the month more than its or their percentage of the total amount shipped by all the members of the association, the sum of thirty-five hundredths of a cent per pound on each and every pound of such excess, and crediting each member who has not shipped its or their percentage of the total amount shipped by all the members of the association, with the sum of thirty-five hundredths of a cent per pound on each and every pound which it or they fail to ship during the month for which the reports are made, as aforesaid, and as a basis of calculation making such "statement of account," the commissioner shall use the table of percentages as set forth in the first clause of this agreement; and upon the statement of such account by the commissioner, he shall immediately mail a copy thereof to each member of this association, and within five days after the receipt of any account by the member of this association, which account shall show that the member receiving the same is indebted to the association, the member so receiving its or their account, showing its or their indebtedness, shall forward to the treasurer a check or sight draft drawn to the order of T. Mellon & Sons, in payment of such indebtedness, which check or sight draft the treasurer shall deposit in the said T. Mellon & Sons' Bank, Pittsburg, Pa., to the credit of this association, and remain to the credit of the member paying on excess of shipments and being increased or diminished as each month's business shows. It shall be the right and privilege of each member, who shall not have shipped his full percentage, to call, through the commissioner, on the members who have made an excess, to transfer to the short member a sufficient amount of tonnage, or otherwise enable him to fill up his order book. It being the intent of this agreement that each member shall ship his entire percentage, and at the end of each year it shall be the duty of the commissioner to so arrange between the members as to have the pool balanced; but any member unable, at the end of each year, to produce his allotment, after first deducting his exempted tonnage, shall forfeit such unproduced tonnage, which shall be divided among the other members of the pool in proportion to their respective tonnage allotments.

Fourth. To insure the rendering of the statements and the faithful adherence of each party to the terms of this agreement, a guarantee fund of $100,000 shall be formed by the payment on or before December 3, 1900, of $1,000 for each per cent of allotment, as provided for in the first clause of this agreement, to the treasurer, which fund shall be deposited or invested as directed by the executive committee, in trust for the members in the same proportion as received, subject, however, to such forfeiture or penalty as may be declared by a vote of a remainder of the members against any member violating the terms of this agreement, and as hereinafter provided.

Fifth. Whereas it has been agreed by and between all the members of this association to exempt certain tonnage to cover orders already taken, it is agreed that such exemption shall be as follows:

	Tons.
Carnegie Steel Co	140,000
Jones & Laughlins (Ltd.)	9,400
Illinois Steel Co	15,394
Crucible Steel Co. of America	2,687
Otis Steel Co	1,740
Tidewater Steel Co	2,520
Lukens Iron & Steel Co	5,778
Worth Bros. Co	3,863
Central Iron & Steel Co	15,116
The American Steel & Wire Co	7,965
Glasgow Iron Co	

It is understood that those who hold exemptions under this agreement are to proportion the shipments applying to them in monthly allotments, between the date of this arrangement and January 1, 1902, and such shipments shall not be subject to the pool assessment.

Sixth. It is required that all plates shipped into the States bordering on the Pacific coast, and to be actually used in the territory into which they are shipped,

and also all plates actually exported for use outside the limits of the United States, be reported to the commissioner, together with bills of lading, or other evidence of exportation, for actual use abroad, satisfactory to him (said evidence to be confidential and not to be circulated among the members). Such tonnage will be deducted from the member's report, and the agreed pool tax charged on the balance.

Seventh. Upon receiving the written request of two members of the association, stating the object, the commissioner shall, upon the approval of the executive committee, call a meeting of the parties to this agreement, to be held within five days from date of his receiving such written request.

Eighth. If at any time any of the parties hereto shall have reason to suppose that any other party or parties to the agreement have violated any of the provisions of this agreement, the said party so supposing the agreement has been violated, shall file with the commissioner of the association, a bill of complaint against the party or parties so suspected of such violation, which bill of complaint shall fully set forth the act or acts complained of, together with all the matters or things connected therewith; the said bill of complaint shall be in writing, and shall furnish all the evidence that can be submitted in connection with the alleged violation, and upon receipt by the commissioner of any and all bills of complaint, as aforesaid, he shall forthwith use his best offices to have the accuser and accused arrive at an amicable settlement, failing in which he shall then submit all the information he may have to the executive committee for action; if the said executive committee shall determine that the charges have been sustained, they, the executive committee, shall impose a penalty of not less than $1,000, nor more than the amount standing to the credit of the member so punished, in the guaranty fund at the time the fine is imposed upon the party so adjudged as having violated the agreement, but if the executive committee shall determine that the charges have not been sustained, they shall dismiss the complaint from further consideration by them. It is further understood and agreed that no member of the executive committee shall act upon any bill of complaint made by, or made against the member of the association which he represents, nor shall any representative of a member of the association vote upon any bill of complaint brought by or brought against the member of the association he represents. Any penalty imposed by the executive committee will be collected by the treasurer, deducting the amount thereof from the deposit made by the member against whom the penalty is imposed, to the guaranty fund, as provided for in clause fourth of this agreement, within two weeks after such penalty is thus imposed, the sum thereof shall be transferred pro rata as per allotments to the accounts of the members of the association, excluding the member against whom the penalty is imposed, by the treasure of the association, in which case the member so punished shall immediately remit an amount sufficient to make good the sum taken from the guaranty fund.

In case the offending member shall appeal to the association, and the action of the executive committee shall not be sustained by a majority vote of members of the said association, then the fine imposed shall be remitted, and any sum that the member may have paid into the association by reason of this, shall be returned.

Ninth. No consideration, in the nature of brokerage or commission, shall be paid to any one on sales of plates on and after January 1, 1901.

All sales between parties to this agreement shall be at pool prices, as provided in Agreement B, and all shipments shall be reported by the manufacturer on which the pool tax will be charged the same as to outside parties, the purchaser also to report shipments of all such materials so bought, for which they shall claim and receive credit.

Tenth. At any meeting of the members of this association, called by the commissioner, as herein provided, any party or parties may give three months notice of withdrawal herefrom, but no such notice shall take effect prior to January 1, 1902. Statements shall continue to be rendered of all plates shipped up to date of such withdrawal, the pool assessment to be charged thereon.

Eleventh. In case other firms or corporations are admitted as partners to this agreement, the percentage of the pool allotted to each shall be deducted pro rata from the percentages of the members immediately prior to the time of its admission; and in case any of the parties hereto, or any of the parties hereafter admitted, shall withdraw, the percentage of the pool allotted to such withdrawing party or parties shall be added pro rata to the percentages of

the parties remaining. In such case, the commissioner shall compute and report the new percentages to the nearest one-hundredth of 1 per cent, which degree of accuracy shall be deemed sufficient.

Twelfth. The agreement herein made of percentages, the amount of the guaranty fund as herein provided, and the agreement to maintain minimum fixed rates as covered in Agreement B, shall not be altered, amended, or changed in any respect, except by the unanimous consent of all parties to this agreement.

Thirteenth. To provide for the prompt payment of all salaries, rents, and other expenses, a general expense fund shall be called in as needed by the treasurer, in proportion to the percentage allotted each member of the association.

Fourteenth. No matter of account, or understanding outside of this agreement, shall affect the settlements herein provided for, either as an offset or otherwise, nor shall any written or unwritten agreement of the parties hereto, or any of them, to establish and maintain uniformity of prices, or any controversy arising out of any such agreement, or any failure to carry out any of its provisions, or to maintain prices, affect in any way the rendering of the statements and the making of the settlements herein required.

Fifteenth. Whenever this agreement shall have been terminated, the balance of the deposit, with accumulated interest remaining in the hands of the treasurer to the credit of each party, after provision shall have been made for the payment of all expenses, shall be returned to it, provided it shall have rendered all the statements required from it under this agreement, and have paid all its debtor balances. In case any party hereto shall not have fulfilled its money obligations under this agreement, the amount it has on deposit in the guaranty fund shall be applied toward the fulfillment of those obligations, and the excess, if any, returned to it. But in case any party shall not have fulfilled its agreement to render the monthly statement under this agreement, the amount it has on deposit in the guaranty fund, or the excess thereof, as above stated, shall be divided among the parties who shall have fulfilled their obligations under this agreement, in the proportion of their respective percentages.

Sixteenth. For all purposes of this contract, a ton shall be taken and held as two thousand (2,000) pounds.

In witness whereof the parties hereto have signed this agreement the day and year first above written.

Mr. YOUNG. May I ask what individuals have been subpœnaed to produce the contract, of which this is supposed to be a copy?

The CHAIRMAN. Yes, sir. The secretary and treasurer of all these associations—two officers of every one of the associations to this agreement.

Mr. YOUNG. Are they here?

The CHAIRMAN. I do not know.

Mr. YOUNG. Any of them?

The CHAIRMAN. Mr. Van Ormer is here, and he is the secretary of one of the establishments.

Mr. YOUNG. Maybe we can get the original from him?

The CHAIRMAN. No; he has not the original. I sent a subpœna duces tecum to the Mellon National Bank.

Mr. YOUNG. Has anybody else been served with a subpœna duces tecum to produce the original contract?

Mr. LINDABURY. The secretary and treasurer of the United States Steel Corporation was subpœnaed.

The CHAIRMAN. I have searched everywhere I could to get the original of this very interesting document.

Mr. GARDNER. I do not know how many of these concerns were merged into the United States Steel Corporation. I thought I heard you mention the name of Jones & Laughlin. They are independent.

The CHAIRMAN. Yes, sir.

Mr. GARDNER. Is there somebody here from Jones & Laughlin?

The CHAIRMAN. Is there anybody here from Jones & Laughlin? I do not know these gentlemen's names.

Mr. GARDNER. I thought they would be able to tell whether this was put actually in operation, as they are in no way connected with the United States Steel Corporation.

The CHAIRMAN. They would be perfectly free to talk.

Mr. GARDNER. What other companies are disconnected from the United States Steel Corporation?

The CHAIRMAN. I had Mr. Wooley take Moody's Manual and ascertain the name of the president and secretary of each one of these concerns at the date of this alleged agreement. Mr. Wooley, I wish you would find out for Mr. Gardner the names of the officers of each one of these concerns for whom subpœnaes were issued.

Mr. GARDNER. I would like to find out anybody representing any of these concerns mentioned in your list who are not at present connected with the United States Steel Corporation.

Mr. LINDABURY. More than half of the names are disconnected.

Mr. GARDNER. The witness who preceded you spoke of you having been of great assistance to him in his campaign. Are you a member of any political organization in your town?

Mr. KAUFFMAN. No, sir.

Mr. GARDNER. And you never have been?

The CHAIRMAN (interposing). Are you a Democrat or Republican?

Mr. KAUFFMAN. A Republican.

Mr. GARDNER. And you were of great assistance to the gentleman in his campaign?

Mr. KAUFFMAN. Yes, sir.

Mr. GARDNER. Although he was a Democrat?

Mr. KAUFFMAN. He was a Keystoner.

Mr. GARDNER. And you have been very much interested in politics for a good many years?

Mr. KAUFFMAN. Yes, sir; I ran a newspaper.

Mr. YOUNG. A political newspaper?

Mr. KAUFFMAN. A newspaper. We take parts; we are independent.

Mr. GARDNER. You have done a good deal of work in local politics outside of your newspaper work?

Mr. KAUFFMAN. Certainly; we live in a small town.

Mr. GARDNER. You are a voluntary worker, you have never been paid for your work?

Mr. KAUFFMAN. I never have been.

Mr. GARDNER. By way of advertisements in your newspaper or otherwise?

Mr. KAUFFMAN. We have been always on the wrong side.

Mr. GARDNER. You did not answer my question. I asked if you had ever been paid?

Mr. KAUFFMAN. No, sir; we have never been paid.

Mr. GARDNER. When you set up this agreement you were aware that it was criminal?

Mr. KAUFFMAN. Yes.

Mr. GARDNER. And it made an impression upon you at the time?

Mr. KAUFFMAN. After it had been set up my attention was called to it.

Mr. GARDNER. And it made a great impression on you?

Mr. KAUFFMAN. Yes, sir.

Mr. GARDNER. And you knew all the circumstances you have related without having talked them over with your brother?

Mr. KAUFFMAN. No; we have talked them over in 10 years.

Mr. GARDNER. Do you remember the name of the president of the Illinois Steel Co.?

Mr. KAUFFMAN. No, sir.

Mr. GARDNER. Would you recognize it if I suggested John W. Gates?

Mr. KAUFFMAN. No, sir.

Mr. GARDNER. You can not say whether Mr. Gates was the president of the Illinois Steel Co. at that time or not?

Mr. KAUFFMAN. No, sir.

Mr. GARDNER. What steps did you take during the 10 years to bring this to the attention of the prosecuting authorities?

Mr. KAUFFMAN. None whatever.

Mr. GARDNER. Why not?

Mr. KAUFFMAN. Well, what good would it have done?

Mr. GARDNER. What good does it do to bring questions to the attention of the prosecuting authorities? You would have done your duty at all events whether they did or not. But that is your reason—because you thought it would do no good? You believed that such evidence would not be considered by the prosecuting authorities?

Mr. KAUFFMAN. At that time, I certainly did.

Mr. GARDNER. And you were a Republican all the time that you believed that the Federal courts would not take cognizance of an accusation of this sort—you continued to be a Republican in spite of that?

Mr. KAUFFMAN. Certainly.

Mr. GARDNER. You say that Mr. Huston made the statement that he was doing this for a pool formed at that time?

Mr. KAUFFMAN. Yes, sir.

Mr. GARDNER. He made that statement to you?

Mr. KAUFFMAN. He made that statement.

Mr. GARDNER. To you directly?

Mr. KAUFFMAN. To me directly.

Mr. GARDNER. That this work was to be done for the pool?

Mr. KAUFFMAN. Yes, sir.

The CHAIRMAN. Are you a lawyer?

Mr. KAUFFMAN. No, sir.

The CHAIRMAN. You never practiced law?

Mr. KAUFFMAN. No, sir.

The CHAIRMAN. It was after it was to be carried into effect before you talked with a lawyer about it?

Mr. KAUFFMAN. You understand, I set this agreement up, as a printer will do. It was printed for Mr. Huston, and the copy did not impress me until Mr. Van Ormer came to my office.

The CHAIRMAN. Is that Mr. Van Ormer sitting behind you?

Mr. KAUFFMAN. Yes, sir.

Mr. GARDNER. When did he come to your office?

Mr. KAUFFMAN. Within a week after it was printed.

Mr. GARDNER. And that was the first time you became aware of the criminality which you just stated you were aware of?

Mr. KAUFFMAN. Yes, sir.

The CHAIRMAN. What relation did he have to that company?

Mr. KAUFFMAN. I do not know that he had any. He was the secretary to Mr. A. F. Huston.

The CHAIRMAN. Of the Lukens Iron & Steel Co.?

Mr. KAUFFMAN. Yes, sir.

Mr. YOUNG. You have told us, then, substantially all you know about this paper?

Mr. KAUFFMAN. I have.

Mr. YOUNG. You have no knowledge whether an agreement similar in terms to that was ever executed?

Mr. KAUFFMAN. Only Mr. Huston said that his company never asked for anything out of the pool and that the other company in Coatesville did.

Mr. YOUNG. In doing that did he refer to this agreement?

Mr. KAUFFMAN. Yes, sir. He referred to the percentage in the agreement. Of course we were very proud at getting 14½ per cent in a little village like Coatesville.

Mr. YOUNG. He said something to this effect: That he had never asked any favors as to his percentage according to the agreement you printed for him?

Mr. KAUFFMAN. He said he had never had to ask the pool for any tonnage to make up their percentage, while the Worth people, in the same town, were continually asking the pool.

Mr. YOUNG. He told you that?

Mr. KAUFFMAN. Yes, sir; that was the understanding between him and me.

Mr. YOUNG. Will you please wait until I finish my question, and perhaps you will understand it better and can answer it. Did he say to you that the pool to which he referred was organized in accordance with the agreement or proposed agreement which you printed.

Mr. KAUFFMAN. No; we were talking about the percentage that that pool gave us.

Mr. YOUNG. That answers the question. He did not say it was organized as a result of the agreement.

Mr. GARDNER. I did not hear the witness's answer to your last question.

Mr. YOUNG. He said no.

Mr. GARDNER. Did he say no?

Mr. YOUNG. Yes; he said no.

Mr. GARDNER. I want to hear his answer. I did not hear his answer.

(The last preceding question and answer were read by the stenographer.)

Mr. YOUNG. What pool?

Mr. KAUFFMAN. The pool I printed the contract for; that is the only thing I ever knew about.

Mr. YOUNG. But did he say directly or indirectly that that pool was organized according to the agreement you printed?

Mr. KAUFFMAN. We were talking about the percentage that Coatesville got under that agreement.

Mr. YOUNG. Can you not answer my question directly?

Mr. KAUFFMAN. I am answering it.

Mr. YOUNG. It can be answered by yes or no.

Mr. KAUFFMAN. We were talking about the percentage that that pool gave us. He said he did not have to ask the pool for any tonnage, and the Worth people continually asked them——

Mr. YOUNG. Yes; I understand. I have heard that three or four times.

Mr. KAUFFMAN. Well, now, that is all of it.

Mr. YOUNG. Now, who was this gentleman that came and got the papers?

Mr. KAUFFMAN. Mr. Van Ormer.

Mr. YOUNG. You said he made to you the statement that the president of the Illinois Steel Co. had said that if that agreement got out he would go to State's prison.

Mr. KAUFFMAN. That the laws in Illinois were such that it would put him in jail—could put him in jail.

Mr. YOUNG. Mr. Van Ormer said that to you?

Mr. KAUFFMAN. To me; yes.

Mr. YOUNG. You did not ask him any questions in regard to it?

Mr. KAUFFMAN. I asked him why they were so careful with it.

Mr. YOUNG. And he volunteered that statement?

Mr. KAUFFMAN. Yes.

Mr. YOUNG. Did it not strike you as a little remarkable that a man who was so anxious that this matter should not get out that he looked through the wastebasket for the old papers should volunteer to you the statement that it was a criminal agreement? Did not that strike you as remarkable, at the time?

Mr. KAUFFMAN. Well, perhaps it did, at the time.

Mr. YOUNG. Yes; that is all.

TESTIMONY OF MR. R. G. RICHMOND, MANAGER AND SALES MANAGER OF THE WATERBURY CO., NEW YORK CITY, N. Y.

(The witness was sworn by the chairman.)

The CHAIRMAN. What is your business?

Mr. RICHMOND. I am manager and sales manager of the Waterbury Co., in New York City.

The CHAIRMAN. What do they make?

Mr. RICHMOND. They are manufacturers of wire rope.

The CHAIRMAN. Up until 1905 or 1906 was your company connected with any pool or agreement about the sale of wire rope?

Mr. RICHMOND. In 1905 and 1906 we belonged to the Wire Rope Association.

The CHAIRMAN. The Wire Rope Association. This is another one of these associations. And, by the way, I have sent a message to the Department of Justice, and I am advised by Mr. Lehmann that the wire-rope contract is, in its essentials, similar to this one; that that is in New York, but he understands that it is like this one.

Mr. LINDABURY. He has seen this one?

The CHAIRMAN. Yes; I have sent him a copy of this one. I was told the same in New York. But that contract is in New York. I will be glad to show the committee the copies of the indictments that recite the contract. That is how I knew. Were Roebling & Sons members of that association?

Mr. LINDABURY. Have you not seen the wire-rope agreement?

The CHAIRMAN. No, sir.

Mr. LINDABURY. Have you not read the indictments?

The CHAIRMAN. I have read the indictments which recite the substance of it, but I say it has the same structure. It is all this scheme about, the putting it into the hands of one pool, and having a treasurer, and so forth. It is a very artistically gotten up scheme.

Were John A. Roebling's Sons Co. members of that association?

Mr. RICHMOND. Yes; as I recollect.

The CHAIRMAN. Were the Hazard Manufacturing Co. members of it?

Mr. RICHMOND. Yes; as I recollect.

The CHAIRMAN. Were the American Steel & Wire Co. members?

Mr. RICHMOND. Yes; as I recollect.

The CHAIRMAN. And was the Trenton Iron Co. a member of it?

Mr. RICHMOND. Yes; as I recollect.

Mr. YOUNG. I can not hear the witness.

Mr. RICHMOND. I have answered in the affirmative to each question.

Mr. YOUNG. Can we not prove this by the agreement?

Mr. LINDABURY. If you will permit me, Mr. Chairman, the witness is making answers, every one of which is erroneous, no doubt by mistake on his part. The American Steel & Wire Co. was not a party to that agreement, and if you produce it, you will find it is not so.

The CHAIRMAN. I have no access to the documents in the Department of Justice. Have I not sent resolution after resolution to the Attorney General and one request after another, asking him to furnish me these things; and he always replies, "It is not consistent with public policy to let you know anything about what we know, Mr. Stanley." I am tired of fooling with it, and I am going on to investigate it myself.

Mr. YOUNG. The parties to the agreement probably have it.

The CHAIRMAN. I wish to say that that does not refer to Mr. Lehmann, who is fighting from the shoulder, and he will let me have anything he has got. But I am tired of fooling with the Attorney General. I do not wish to criticize him. He simply does not see it my way.

Mr. YOUNG. We do not want third-rate evidence until we have tried to get the first.

The CHAIRMAN. I have tried, Mr. Young.

Mr. YOUNG. Have we subpœnaed anybody?

The CHAIRMAN. I have sent him request after request, and the Committee on Judiciary has also requested him, and he has answered that it is not consistent with public policy.

Mr. YOUNG. Have we subpœnaed anybody to bring it?

The CHAIRMAN. No.

Mr. LINDABURY. I think the chairman knows, as every well-informed person knows, that all of those parties were indicted after six weeks' investigation in New York; and I think the chairman knows—at least I told him so on Friday—that the American Steel & Wire Co. was not indicted.

The CHAIRMAN. But there are members and officers of the American Steel & Wire Co. indicted?

Mr. LINDABURY. Yes; but you spoke of the Steel & Wire Co.

The CHAIRMAN. To that extent, then, I am incorrect. I will ask you, Mr. Richmond, to examine that book and answer me if you ever saw one like it [handing small red book to the witness] when you were a member of that association?

Mr. RICHMOND. Not exactly like that. I have seen books—I have seen a book very much similar to that, but I could not say that I have seen one identical with that.

The CHAIRMAN. I mean with the same names, practically?

Mr. RICHMOND. I can not answer that, because I would not know the names of all the representatives that may have been in this Wire Rope Association.

The CHAIRMAN. You did, when you were a member of that association, have a book for the use of sales agents?

Mr. RICHMOND. For the use of sales agents, giving the names.

The CHAIRMAN. Giving the names of various persons?

Mr. RICHMOND. Yes.

The CHAIRMAN. Where do you reside now?

Mr. RICHMOND. In New York City.

The CHAIRMAN. Does John A. Roebling's Sons Co. do business in New York City?

Mr. RICHMOND. They do.

The CHAIRMAN. Are Howard H. Baker & Co. their representatives?

Mr. RICHMOND. I could not answer that question.

The CHAIRMAN. Were they their representatives in 1905?

Mr. RICHMOND. I could not say, at that time. That would necessitate my studying up the records.

The CHAIRMAN. I will ask you if the Hazard Manufacturing Co. do business there?

Mr. RICHMOND. They do.

The CHAIRMAN. Are Walbridge & Co. their agents there?

Mr. RICHMOND. Walbridge & Co. are not in New York City, so far as I know. I do not know them.

The CHAIRMAN. Where is your town?

Mr. RICHMOND. New York City.

The CHAIRMAN. The American Steel & Wire Co. does business there?

Mr. RICHMOND. They have an office, as I understand.

The CHAIRMAN. They have an office there?

Mr. RICHMOND. And I presume sales agents.

The CHAIRMAN. Have you the Wholesale Hardware Co. there now?

Mr. RICHMOND. No; I believe it is——

The CHAIRMAN. The Buffalo Wholesale Hardware Co.?

Mr. RICHMOND. Are you referring to Buffalo?

The CHAIRMAN. Is the Buffalo Wholesale Hardware Co. still there?

Mr. RICHMOND. I do not know.

The CHAIRMAN. Have the Trenton Iron Co. a business office there?

Mr. RICHMOND. They have an office.

The CHAIRMAN. Are Beals & Co. there now—Beals & Brown formerly?

Mr. RICHMOND. No such concern.

The CHAIRMAN. Do you know anything about A. Leschen & Sons Rope Co.?

Mr. RICHMOND. They have an office in New York City.
The CHAIRMAN. Are Weed & Co. their agents there now?
Mr. RICHMOND. I could not answer that.
The CHAIRMAN. All right. I will ask you if you ever saw a document like that [handing same to witness]? Do you know whose handwriting that is on that document?
Mr. RICHMOND (after examining same). I do.
The CHAIRMAN. Whose is it?
Mr. RICHMOND. It was a private desk record of a list furnished to agents of ours.
The CHAIRMAN. Do you know the handwriting on there?
Mr. RICHMOND. I know the handwriting.
The CHAIRMAN. Did you furnish that to me?
Mr. RICHMOND. No, sir.
The CHAIRMAN. Do you know anything about how I got it?
Mr. RICHMOND. I have not the slightest idea, unless it was abstracted from my private files or given through some agent who had no authority to dispose of it.
The CHAIRMAN. That disappeared from your desk somehow?
Mr. RICHMOND. It disappeared from my desk, or it might have been given to an agent of ours who has abused his rights and privileges.
The CHAIRMAN. I will say for the gentleman that he is absolutely innocent of where that came from, just as I am. That came to me through the mail.
Mr. LINDABURY. From where?
The CHAIRMAN. Through the mail.
Mr. LINDABURY. From Coatesville?
The CHAIRMAN. No, sir.
Mr. LINDABURY. All right.
Mr. RICHMOND. May I see that [indicating manila envelope]?
The CHAIRMAN. No, sir; you can not see that, because it does not concern you. I will show it to the committee.
Mr. RICHMOND. Have you any objection to giving me the town that it came from?
The CHAIRMAN. I do not know. It is hard to make out the town from this postmark. Oh, I do not want to keep anything from you. I will let you see it. [Handing manila envelope to witness.] That came to me through the mails. I do not know who sent it myself.
Mr. YOUNG. What is that?
The CHAIRMAN. It is a schedule of prices. Now, Mr. Richmond, I will ask you if this document does not fix the prices for all kinds of iron and steel wire rope, with the exception of rope for suspension bridges, flat rope, ropes of a single strand, bright, annealed, tinned, and copper sash cord, seven wires to the strand, one-quarter inch diameter, and less, and rope sold for export and actually exported?
Mr. RICHMOND. May I ask as of what date that is?
The CHAIRMAN. As of date of September 21, 1905.
Mr. LINDABURY. I object. That is what appears upon the face of it.
Mr. RICHMOND. The document in itself covers the conditions then existing.
The CHAIRMAN. Now, when your company was in this pool—and it is not now—I will ask you if you sold bright rope and bright rope

when galvanized and galvanized guy rope and wire rope fittings and switch ropes and labor splicing endless, and all ropes more than six strands and center, and galvanized guy rope, rigging, etc., at the prices fixed in these schedules; that is, while you were members of the association? You do not know; I understand that.

Mr. RICHMOND. Substantially, yes. In instances, no. We reserved our right to sell at prices that we elected to.

The CHAIRMAN. I will ask you if at that time the United States was divided up into territories known as the eastern territory, composed of Missouri, Minnesota, Iowa, Arkansas, and Louisiana, and including points on either bank of the Missouri River between Sioux City and Kansas City, Mo., and—I will finish the whole question—into a western territory, including North Dakota, South Dakota, Nebraska, Kansas—excepting points on Missouri River between Sioux City and Kansas City—Texas, Oklahoma, and Indian Territory?

Mr. RICHMOND. There was a territorial division.

The CHAIRMAN. Yes; as named in this?

Mr. RICHMOND. As named in this.

The CHAIRMAN. By which your salesmen were governed?

Mr. RICHMOND. Yes.

Mr. LINDABURY. May I see that a moment?

The CHAIRMAN. Yes.

Mr. YOUNG. Are you offering these documents?

The CHAIRMAN. Yes; I want to show them to the committee.

Mr. RICHMOND. You understand, we have not been identified with that association or combination, or whatever you elect to term it—the Wire Rope Association, as known and shown by that yellow sheet—since the 1st of January, 1907, and have had no identification with it in any way.

The CHAIRMAN. I will say to Mr. Richmond that I would not have cross-questioned him so carefully and insistently about this if I had not every reason to believe that that statement is correct; and the committee understands your legal status.

Mr. GARDNER. May I ask you a personal question?

Mr. RICHMOND. Yes; sir.

Mr. GARDNER. Whose handwriting is this?

Mr. RICHMOND. In the book or on that yellow sheet?

Mr. GARDNER. On the yellow paper.

Mr. RICHMOND. The yellow paper has my own handwriting on it.

Mr. LINDABURY. Was this one of the so-called Jackson pools?

Mr. RICHMOND. Mr. Jackson was supervisor at that time.

Mr. GARDNER. Mr. Chairman, I do not quite understand this thing. What is this purposed to be an agreement between?

The CHAIRMAN. What?

Mr. GARDNER. What is this purposed to be an agreement between? Of what pool is this evidence?

Mr. RICHMOND. That simply was the agents' instructions of what was then known as the Wire Rope Association.

I wish to make a correction in a statement—not necessarily a correction, but a change. In referring to the names of the companies, I do not recall the full names of all the manufacturers or their agents that may have been represented. In speaking of it generally, I simply am speaking without reference to any records. I do not recall absolutely how many were in, but I know that wire-rope manufac-

turers met under the supervision of Mr. Jackson, as that paper indicates.

Mr. GARDNER. Where could we get a record showing who were members of this association?

Mr. RICHMOND. Mr. Stanley's book gives it, I presume. I do not know that book, because I have not a copy of it, but Mr. Stanley's book purports to be a record of the agents. I refer to that red book.

Mr. YOUNG. That is the pool that is being indicted now, is it not?

Mr. LINDABURY. Yes. Now, if the committee desires and thinks it worth while or important to go into that matter, I will do what I can to facilitate its inquiry. To develop it in the regular way would take a good many days, probably weeks. There is not any doubt that there were a lot of those steel and wire pools. This is one. There were a number of others. They were all indicted—all the members of all of them were indicted—in New York quite recently. Those pools were, I think, quite ancient in their inception, and they were continued down to some time in 1908. The Steel Corporation as such was in no way connected with them, and its officers had no information respecting them, and a most searching investigation before the grand jury of New York completely developed that fact; but one of the subsidiaries of the United States Steel Corporation was, though not directly.

The CHAIRMAN. Excuse me. I am not questioning your statement at all; but if you care to make that character of proof, I would prefer that you should do it sometime when you can put a witness on the stand that I can cross-examine. I know that the gentleman is giving us what he believes to be correct, but I must say that I entirely differ from him in his conclusions.

Mr. LINDABURY. As to what?

The CHAIRMAN. As to the absolute lack of responsibility as between the parent and the subsidiary companies. It is a matter of law as to the construction of the charter and minutes. I do not think that the company could do a thing of that kind without making the United States Steel Corporation responsible. I am not saying that these pools have been organized——

Mr. LINDABURY. Do not misunderstand me. I was only prompted by a desire to facilitate matters for the committee if they desired it. Of course I am willing that the committee should develop the facts in its own way, but, as I have said, I can get you copies of the agreement, because they were all developed before the grand jury in New York.

The CHAIRMAN. Can you get us copies of this steel-plate agreement?

Mr. LINDABURY. One moment. No, sir. Our secretary says that he has no copies, and has never heard of it, and has no papers connected with it, and we know nothing of that; but as to the steel and wire agreements which you now have——

The CHAIRMAN. Does the district attorney have a copy of them?

Mr. LINDABURY. I do not know whether the district attorney would have. He would not, certainly, give you an original.

The CHAIRMAN. We would appreciate an original very much of all of these.

Mr. LINDABURY. Well, we have not an original. The American Steel & Wire Co. was not a member, you will understand.

The CHAIRMAN. And I would be very much obliged, also, if you would advise the committee as to who drew these things.

Mr. LINDABURY. I have not the slightest information. Which ones do you mean?

The CHAIRMAN. Any of them. The wire agreement, or any of the rest of them.

Mr. LINDABURY. There is no doubt about who drew the steel and wire agreement. The plate agreement I know nothing about. I never, until the testimony of this printer was developed this morning, heard of it. But as to the steel and wire agreements you refer to, they were undoubtedly drawn by Jackson.

The CHAIRMAN. Is he a lawyer?

Mr. LINDABURY. He is a lawyer, practicing in New York, who stated to the gentlemen whom he got together, and out of whom or with whom he formed the pool, that he had developed this scheme and submitted it to the Department of Justice, and that it had been approved, and that it was legal, in his opinion and in that of the Department of Justice. These gentlemen went into it and carried it along, and the thing was developed in a recent inquiry before the grand jury, and indictments were found. But if the committee desires to set itself the task of connecting the United States Steel Corporation, or its principal officers, with that pool, either directly or indirectly, why, that is an undertaking worthy of the time. But these other things can not be, because they can not hurt the Steel Corporation. It can not hurt the Steel Corporation that some subsidiary was doing something that it knew nothing of and that it disapproved of. That will be a matter of record.

Mr. GARDNER. Is all of this pamphlet offered in evidence?

The CHAIRMAN. Yes; I put everything in.

Mr. GARDNER. Does it all go together?

The CHAIRMAN. Yes.

Mr. GARDNER. I notice that this letter is dated August, 1911.

The CHAIRMAN. Oh, I did not put that in. It just suggests that certain persons be summoned.

Mr. GARDNER. Is this the Lukens Iron & Steel Co.?

The CHAIRMAN. No; it is just something that I had in my papers.

Mr. GARDNER. I see that this letter speaks of this agreement as antedating the Sherman antitrust law. That is an error.

The CHAIRMAN. Yes. That letter came unsigned, saying that these people should be summoned.

Mr. GARDNER. Does Mr. Richmond know how long that agreement had been in existence? Here is an anonymous letter which suggests that the agreement had been in existence before the Sherman antitrust law.

Mr. RICHMOND. I could not answer as to that.

Mr. LINDABURY. I think that may be so, because a member of it told me a day or two ago—a gentleman who is in this room now—that it was 25 years old.

The CHAIRMAN. These agreements run away back yonder. They were the old agreements that they had when the various companies were organized, and when the United States Steel Corporation was organized they continued to do business in the same old way at the same old stand, up to 1908; but this Waterbury Co. withdrew from this agreement.

Mr. YOUNG. This is dated in 1907. [Addressing the witness.] Did you recognize this writing?

Mr. RICHMOND. On the white envelope?

Mr. YOUNG. On the envelope in which this came—that is the manila envelope?

Mr. RICHMOND. No; I did not recognize it.

The CHAIRMAN. I have no idea where that came from.

Mr. GARDNER. Did that come to you in that envelope?

The CHAIRMAN. Yes. [Indicating manila envelope.] It is under date of August 30. I am of the opinion that it did. I will not be positive. I may have put this letter in, but I know this was in this book [indicating].

Mr. GARDNER. This says, "With the compliments of the Lukens Iron & Steel Co." That was in the envelope?

The CHAIRMAN. No; that letter was lying on my desk, and I just picked it up. This was something that Mr. Van Ormer had here this morning. This has not anything more to do with this matter than an almanac or a daily paper.

Mr. BEALL. What did come in this envelope [indicating manila envelope]?

The CHAIRMAN. My impression is that these three things came. This is not in evidence; this is simply a list of witnesses.

Mr. BEALL. I understand this little red book having printed on the back of it, "Agents for sale of wire rope," and these wire-rope prices with "Private and confidential" written on it——

The CHAIRMAN. And Mr. Richmond's name written on it.

Mr. GARDNER. And this letter?

The CHAIRMAN. I am not positive about that. This letter may have come in a separate envelope, but I think they all came together.

Mr. BEALL. These are the only two things you are certain about—this red book and the yellow paper?

The CHAIRMAN. It is not material. This is only a list of witnesses.

Mr. LINDABURY. Would you mind my seeing that letter?

The CHAIRMAN. I do not think it concerns you.

Mr. YOUNG. It is dated August, 1911.

Mr. LINDABURY. It could not have been August, 1911.

Mr. YOUNG. This is a copy of the rules of the Wire Rope Association.

Mr. GARDNER. I do not believe it is material.

Mr. YOUNG. This is simply the names of corporations with their offices.

Mr. LINDABURY. There was nobody a member of it connected with the Steel & Wire Co. in New York, except Backus, the sales agent.

Mr. YOUNG. If this is a letter of transmittal, I think it ought to go in with that which was transmitted, but if it is not a letter of transmittal I do not think it ought to go in.

The CHAIRMAN. Under the circumstances, I do not think it is material, since Mr. Richmond has identified these two papers; at least, he has identified this yellow list and said that he had a book like this [indicating red book].

Mr. BEALL. Do you want to ask Mr. Richmond any questions, Mr. Lindabury?

Mr. LINDABURY. No, I do not; but I want to ask the chairman a question: Whether we are going ahead with the witnesses on the steel plate or whether we are going on with the witnesses on the wire rope?

The CHAIRMAN. I do not know whether any of those present know anything about this contract.

Mr. YOUNG. Mr. Van Ormer certainly must know something about the first agreement.

The CHAIRMAN. He does not know anything that I consider of any importance.

Mr. YOUNG. He is the man that collected all of these papers and destroyed them.

The CHAIRMAN. I will let him take the stand and tell anything he knows.

Mr. BEALL. Would you mind if I asked Mr. Richmond some questions?

The CHAIRMAN. Certainly not; not at all.

Mr. BEALL. How long have you been connected with this Waterbury company?

Mr. RICHMOND. I should say about eight or nine years.

Mr. BEALL. In what capacity?

Mr. RICHMOND. First as manager of one of the branch offices in St. Louis, and then taking charge of the Chicago office, and then moving to New York about 1904.

Mr. BEALL. When did you first have any knowledge of the Waterbury Co. being connected with any pool such as is indicated here?

Mr. RICHMOND. You refer to that as a pool; we would call it the Wire Rope Association.

Mr. BEALL. Well, the Wire Rope Association?

Mr. RICHMOND. That was, I think, in December of 1904.

Mr. BEALL. How were you so advised?

Mr. RICHMOND. What do you say?

Mr. BEALL. How did you get that information?

Mr. RICHMOND. Simply from having those rules to follow, and that book of instructions to agents.

Mr. BEALL. Were you supplied with a book that——

Mr. RICHMOND. And with that yellow book.

Mr. BEALL. A book similar to this [indicating red book]?

Mr. RICHMOND. The yellow book. And salesmen were instructed to conform to those prices, as near as possible.

Mr. BEALL. Who was the head of the Waterbury Co. at that time?

Mr. RICHMOND. Mr. J. M. Waterbury, president.

Mr. BEALL. Is he living now?

Mr. RICHMOND. Yes.

Mr. BEALL. Where is he now?

Mr. RICHMOND. Westchester, N. Y.

Mr. BEALL. Is he connected with the Waterbury Co. at this time?

Mr. RICHMOND. He is connected at this time. He has not been active for some time.

Mr. BEALL. Who is the active head of it?

Mr. RICHMOND. He comes to the office at intervals, but between Mr. Waterbury, senior, and his son, they are active in the financial department of the company.

Mr. BEALL. Do you know who represented your company in the formation of this association?

Mr. RICHMOND. As to the formation, I do not know. I was not in New York at the time they received their first instructions. Just when they started it, I do not know. It was about the time I came to New York. Who had the original or first interviews looking to that Wire Rope Association I could not say.

Mr. BEALL. Do you know whether there was an agreement in writing in forming this association?

Mr. RICHMOND. I could not answer that.

Mr. BEALL. You never did see anything of the sort?

Mr. RICHMOND. No, sir.

Mr. BEALL. You say you withdrew from the association in 1907?

Mr. RICHMOND. We withdrew in 1907.

Mr. BEALL. How did you withdraw?

Mr. RICHMOND. We simply announced our intention that we would go out and sell to trade at prices and terms that we would elect.

Mr. BEALL. To whom did you make that announcement?

Mr. RICHMOND. We simply withdrew; told Mr. Jackson that we had concluded to withdraw from the Wire Rope Association, and from that time we acted as independent manufacturers.

Mr. BEALL. Why did you notify Mr. Jackson?

Mr. RICHMOND. As he was supervisor of the Wire Rope Association, we naturally notified him that we were acting on our own responsibility in every way, shape, and form, and felt that we should not be under any obligation to follow any instructions that they might elect to have salesmen, to have agents, or the trade receive.

Mr. BEALL. While the Waterbury Co. was a party to this association, was Mr. Jackson the supervisor during all of that time?

Mr. RICHMOND. He was supervisor all the time; yes, sir.

Mr. BEALL. What appeared to be the duties of Mr. Jackson?

Mr. RICHMOND. He handled the correspondence and made such suggestions as might be in line with general market conditions.

Mr. BEALL. Did he have an office?

Mr. RICHMOND. He is a lawyer, and had an office in New York.

Mr. BEALL. Did you make reports to him?

Mr. RICHMOND. Did we do what?

Mr. BEALL. Did you make reports to him from time to time?

Mr. RICHMOND. We made sales reports.

Mr. BEALL. Did you have a deposit?

Mr. RICHMOND. Did we have what?

Mr. BEALL. Did the Waterbury Co. make a deposit with anyone to guarantee compliance with the terms of the association?

Mr. RICHMOND. That was out of my department. I was handling the selling end of it. That branch of the business would come through the treasurer's office, so that I can not give testimony as to when he deposited or whether he deposited or not. I assume that he did.

Mr. BEALL. Have you in the Waterbury Co.'s offices any correspondence of Mr. Jackson covering this period of time?

Mr. RICHMOND. Have I had?

Mr. BEALL. Have you now?

Mr. RICHMOND. Have we now?

Mr. BEALL. Yes.

Mr. RICHMOND. Well, there may be in the files, but I have not made any effort to investigate those files, as it is a matter of such long standing that we were not interested. We simply have been out of it, and we naturally did not take the time or trouble to look up the correspondence. There may be.

Mr. BEALL. Could you find in your files your notification to Mr. Jackson of the withdrawal from the association?

Mr. RICHMOND. Could I find it?

Mr. BEALL. Yes; a copy.

Mr. RICHMOND. Yes; I think I could.

Mr. BEALL. Do you think you could find his acknowledgment of that notice of withdrawal?

Mr. RICHMOND. If he made an acknowledgment, it is in all probability on file.

Mr. BEALL. Would you object to supplying the committee with copies of all the letters you can find in your files to Mr. Jackson, and the originals of all letters from Mr. Jackson, up to the time you withdrew from it?

Mr. RICHMOND. I should prefer to confer with counsel. I would claim that as a privilege of mine. That is something that I could not consistently do, as I am in the employ of the Waterbury Co., and not an officer. I shall ask the right of taking that up with counsel.

Mr. BEALL. Who is secretary of the Waterbury Co.?

Mr. RICHMOND. Mr. Frank Morgan.

Mr. BEALL. Mr. Waterbury is still president?

Mr. RICHMOND. Mr. Waterbury is still president.

Mr. BEALL. Who is vice president?

Mr. RICHMOND. J. M. Waterbury, jr.

Mr. BEALL. Who is treasurer?

Mr. RICHMOND. Frank Morgan.

Mr. BEALL. Where is your office in New York?

Mr. RICHMOND. No. 80 South Street, New York.

Mr. BEALL. How long has the Waterbury Co. been in business?

Mr. RICHMOND. In the wire-rope business, you refer to?

Mr. BEALL. Yes.

Mr. RICHMOND. I should judge 15 years.

Mr. BEALL. During you connection with it, did you have any knowledge of its having been in any other association than this one?

Mr. RICHMOND. During my connection; no.

Mr. LINDABURY. That is simply a successor to another Waterbury Co., is it not?

Mr. RICHMOND. I did not quite catch the question; pardon me.

Mr. LINDABURY. You said 15 years. There was a Waterbury Co. long before that, under another name?

Mr. RICHMOND. Let me explain that. It was formerly the Waterbury Rope Co. before the organization changed.

Mr. LINDABURY. Yes.

Mr. RICHMOND. And the same organization, practically, except in change of name. It was the Waterbury Rope Co. and it then became Waterbury & Co., and then they finally changed the name to the Waterbury Co., which is the present company.

Mr. GARDNER. May I ask the witness a question just there? Is that the James M. Waterbury who is supposed to have founded the Cordage Trust?

Mr. LINDABURY. Yes.

Mr. RICHMOND. James M. Waterbury, who was formerly connected with the Cordage Co.

Mr. GARDNER. And the company was originally——

Mr. RICHMOND. L. Waterbury & Co.

Mr. GARDNER. The Cordage Co. was merged in the Cordage Trust, was it not?

Mr. RICHMOND. The original company was the L. Waterbury Co., cordage manufacturers.

Mr. LINDABURY. And that went into the National Cordage Co., or so-called Cordage Trust.

Mr. RICHMOND. Well, that, gentlemen, is before my time, so that I would rather not be questioned on that subject. It is ancient history, and it is court history, and I do not know enough about it to express myself.

Mr. LINDABURY. James M. Waterbury was the first president of the National Cordage Co.

Mr. BEALL. I notice in this book [indicating red book] a column where there are a number of names printed as those of agents for the sale of wire rope. Take Georgia, for example. On the left-hand column there is the word "Atlanta." Then we have "John A. Roebling's Sons Co.; Hazard Manufacturing Co.; American Steel & Wire Co.; Trenton Iron Co.; Broderick & Bascom Rope Co.; A. Leschen & Sons Rope Co.; and the Williamsport Rope Co.

Opposite most of these names is the name of some concern. What are those names supposed to represent?

Mr. RICHMOND. As indicated to Mr. Stanley, I take it that they are the selling agents for the manufacturing concerns above.

Mr. BEALL. This left-hand column above, is that supposed to represent the manufacturing concern or the selling agent?

Mr. RICHMOND. According to my recollection of that book, the first name is the manufacturing concern and the second name is the selling agent in that respective locality.

Mr. BEALL. In what States did you have selling agents at that time?

Mr. RICHMOND. I could not answer that question without reference—without making a further investigation. We did not have very many agents, although we would have appointed agents or sold in any locality.

The CHAIRMAN. Where did you say your company was located; in Massachusetts, is it not—the Waterbury Co.?

Mr. RICHMOND. The Waterbury Co.?

The CHAIRMAN. Yes.

Mr. RICHMOND. In New York City.

The CHAIRMAN. You went out of it about five years ago?

Mr. RICHMOND. We have been out of what?

Mr. LINDABURY. Out of what?

The CHAIRMAN. Out of the pool?

Mr. LINDABURY. Since 1907, I think he said. You withdrew from the association in 1907?

Mr. RICHMOND. In January of 1907.

Mr. LINDABURY. Yes. You can be quite sure of that, because his concern—they were not indicted. You know the statute runs back pretty near to that time.

The CHAIRMAN. That is the reason I am examining him about it.

TESTIMONY OF H. G. STODDARD.

(This witness was not sworn.)

The CHAIRMAN. You need not be sworn, Mr. Stoddard. I just want to ask you one or two questions. You are in the employ of what company?

Mr. STODDARD. The Trenton Iron Co.

The CHAIRMAN. Who are your agents in New York?

Mr. STODDARD. We have a store and a warehouse in New York.

The CHAIRMAN. Who is in charge of it?

Mr. STODDARD. It is operated by the company, the Trenton Iron Co.

The CHAIRMAN. Do you know anything about Beals & Co. or Beals & Brown?

Mr. STODDARD. Beals & Co. are agents of ours in Buffalo, N. Y., as I recall it.

The CHAIRMAN. Yes. I see this is marked "Buffalo" [referring to red book]. Now, Beals & Co. are your agents in Buffalo. They succeeded Beals & Brown, did they not?

Mr. STODDARD. I do not know.

The CHAIRMAN. In New York City have the Trenton Iron Co. a store?

Mr. STODDARD. Yes.

The CHAIRMAN. Examine those entries on that book and see if they are correct for Buffalo and New York [handing witness red book].

Mr. YOUNG. You mean those companies?

The CHAIRMAN. Yes.

Mr. LINDABURY. Does that purport to give agents in that locality?

The CHAIRMAN. Yes.

Mr. STODDARD (after examining red book). You see this appears, Mr. Chairman, to be somewhat of an old book.

The CHAIRMAN. Yes.

Mr. STODDARD. And there have been a great many changes since this was printed. Many of these names I am not familiar with at all. I have not seen any that I recognize.

The CHAIRMAN. I was asking you about your company.

Mr. STODDARD. I am speaking of the agents of our company. We maintain agents in most prominent cities.

The CHAIRMAN. Beals & Co. represent you now?

Mr. STODDARD. Yes; they represent us now.

The CHAIRMAN. It is so marked in that book?

Mr. STODDARD. I have not seen any in this book.

The CHAIRMAN. Turn to Buffalo.

Mr. STODDARD. The name of Beals & Co. is listed here under Buffalo, and I know that they are customers of ours now in Buffalo, N. Y.

The CHAIRMAN. Now take New York City and see if that is not correct.

Mr. STODDARD. Under New York City here it gives the name "Trenton Iron Co.," and after it "Trenton Iron Co., store." We have a warehouse in New York City at the present time.

The CHAIRMAN. That answers the question.

Mr. STODDARD. If that is what that means. I will just say that we have a store in New York City now. Is there anything else?

The CHAIRMAN. No, sir; unless some member of the committee wants to ask you something. Does anybody want to ask Mr. Van Ormer anything?

Mr. LINDABURY. Before you go any further, may I at this point introduce a matter? Mr. Richard Trimble, the secretary and treasurer of the United States Steel Corporation, was under a good deal of distress on Saturday because he had been served with a subpœna duces tecum, returnable here to-morrow, which called for the production of the plate agreement, a copy of which from the printer the chairman introduced this morning, and also agreements A and B, connected with it, and other papers supposed to have grown out of it. He told me to say to the committee that he has not a single paper of the kind described there, and never has had, nor has he ever heard of it. Nevertheless, he is ready to come before the committee and testify to that effect, but he wanted me to say to the committee that there is no one authorized on behalf of the Steel Corporation to sign checks except himself and his assistant, and his assistant is now away on his vacation in the northern part of Illinois, and if he should come here to-morrow he would be forced to telephone or telegraph to his assistant to return to New York, because they could not possibly both be away at the same time, and as this committee is expecting to be in New York in a couple of days, and he could appear before it then and testify without incurring this difficulty, he is most desirous that the committee should wait until then.

The CHAIRMAN. I sincerely hope that the gentleman can be accommodated, and I will take the matter up with the committee. So far as I am concerned, I would be perfectly willing to have him appear in New York.

Mr. BEALL. That is all right.

Mr. YOUNG. It is perfectly satisfactory to me.

The CHAIRMAN. By the way, there were certain documents you told me you would furnish for publication, certain addenda to the information you spoke about when Judge Gary was on the stand, and you said that the first time the committee was in New York you would turn it over to the committee.

Mr. LINDABURY. I did, this morning. Did not Mr. Filbert have a roll when you and I were together?

The CHAIRMAN. Of all the companies that they were directors in, and the capitalization, and all that. I wish you would see Mr. Filbert about that, because I am very anxious to get it in the record.

Mr. LINDABURY. Will it do when we get to New York?

The CHAIRMAN. I am not particular about having it here, but I am very anxious to get this matter in without delay so that I can look up my memorandums with what Mr. Filbert has.

Mr. GARDNER. There was a matter with regard to the cost of building brick and cement and sand and oak, which I am going to put in.

TESTIMONY OF J. R. VAN ORMER.

(The witness was sworn by the chairman.)

Mr. YOUNG. What is your name, in full?

Mr. VAN ORMER. J. R. Van Ormer.

Mr. YOUNG. Where do you reside?

Mr. VAN ORMER. Coatesville, Pa.
Mr. YOUNG. What is your business?
Mr. VAN ORMER. I am connected with the Lukens Iron & Steel Co.
Mr. YOUNG. Were you connected with that company on the 9th of November, 1900?
Mr. VAN ORMER. Yes.
Mr. YOUNG. How long have you been connected with that company?
Mr. VAN ORMER. I think since the 1st of January, 1892.
Mr. YOUNG. In what capacity are you acting for the company now?
Mr. VAN ORMER. I have charge of the execution of orders.
Mr. YOUNG. You mean selling orders?
Mr. VAN ORMER. Yes; you might put it in the shape of general sales agent, if you will.
Mr. YOUNG. General sales agent. Were you such in 1900?
Mr. VAN ORMER. Practically, but I think the title was not in use then.
Mr. YOUNG. You heard the testimony of Mr. Kauffman in regard to this copy of an agreement bearing date the 9th day of November, 1900—a pooling agreement?
Mr. VAN ORMER. Yes.
Mr. YOUNG. Did you go to the office of Mr. Kauffman in regard to that matter?
Mr. VAN ORMER. That is just possible, but I think quite improbable. I may have gone there for Mr. Huston. I knew about this matter here, but I had nothing at all to do with this up to that time. Mr. Huston himself had seen the printers about printing it. Now, I may have gone up there for Mr. Huston for those copies, but I doubt it very much.
Mr. YOUNG. Did you make a statement to him that if this became public the laws of the State of Illinois were such that the president of the Illinois Steel Corporation might be imprisoned for executing it?
Mr. VAN ORMER. I am sorry to put Mr. Kauffman in a very deep hole, but I can say, unqualifiedly, no; I never did.
The CHAIRMAN. You need not have any hesitancy about that. We will decide who is in the hole.
Mr. VAN ORMER. No; I did not.
Mr. YOUNG. Do you know anything about this agreement?
Mr. VAN ORMER. Only this: I knew of it at the time, and I know that shortly after they were sent out to be signed by the parties mentioned, within a few days or, say, in the course of exchange by mail, every copy was requested to be returned, and so far as I know every copy was returned.
Mr. YOUNG. Did you see those copies?
Mr. VAN ORMER. Yes.
Mr. YOUNG. Did you see the signed contracts?
Mr. VAN ORMER. There were no signed contracts. That is, I do not believe—I doubt whether—any signatures were attached to these contracts. I know that ours was not, and I am under the impression that copies that came back had never been signed.
Mr. YOUNG. Do you know whether each member of this so-called pool was furnished with a copy of this unsigned agreement?

Mr. VAN ORMER. Yes, sir; I would say sent to them by mail to be signed.

Mr. YOUNG. You sent them by mail?

Mr. VAN ORMER. Yes, sir.

Mr. YOUNG. What is that?

Mr. VAN ORMER. Yes; they were sent to them by Mr. Huston to be signed.

Mr. YOUNG. Do you know that as a fact?

Mr. VAN ORMER. I can say yes, I think I do.

Mr. YOUNG. That they were sent out to be signed?

Mr. VAN ORMER. Yes.

Mr. YOUNG. But you say they never were signed?

Mr. VAN ORMER. No, sir; they came back. Now, I can not say that they were not any of them signed, but they all came back, and they were burned. It was found that the thing was not legal.

Mr. YOUNG. Was not what?

Mr. VAN ORMER. Not legal; it was illegal, and the whole thing was nipped in the bud before it ever had an existence.

Mr. YOUNG. After these papers had been prepared and they had been burned, did your company go on and act in accordance with that burned copy of an agreement?

Mr. VAN ORMER. No; I would say not.

Mr. YOUNG. Was there an agreement of which you had knowledge that your company should furnish 7½ per cent of the product of this class of steel?

Mr. VAN ORMER. There may have been, but I have no personal knowledge of any agreement.

Mr. YOUNG. You have none?

Mr. VAN ORMER. No, sir. This is the only document——

Mr. YOUNG. Do you know, as a matter of fact, whether there was an agreement or understanding upon which your company acted, as to the prices at which they should sell their product?

Mr. VAN ORMER. I think for a while there was.

Mr. YOUNG. For a while?

Mr. VAN ORMER. Yes.

Mr. YOUNG. Do you know whether that price corresponded with the price fixed in the schedule attached to this agreement?

Mr. VAN ORMER. I can not understand your question. By price, what do you mean?

Mr. YOUNG. Whether the prices at which you sold your product were fixed under some sort of agreement?

Mr. VAN ORMER. At the time prices were supposed to be uniform.

Mr. YOUNG. How long, to your knowledge, did that practice continue, by your accounting?

Mr. VAN ORMER. On a venture I would say until some time in 1906. I fix that date because I was away from my work the summer of 1905, and the cutting of this out occurred very shortly after that. It may have been the last of 1905 or the first of 1906, I can not be sure about that.

Mr. YOUNG. Has there been any such arrangement, to your knowledge, since that date?

Mr VAN ORMER. No, sir.

Mr. YOUNG. I think that is all.

Mr. GARDNER. I would like to ask a few questions.

The CHAIRMAN. Very well.

Mr. GARDNER. This agreement recites an agreement between 11 companies, the names of which have been read, 3 of whom subsequently became a part of the United States Steel Corporation and the other 8 of whom never became a part of the United States Steel Corporation. You have testified to the existence of an agreement under which you operated. Was that a written agreement?

Mr. VAN ORMER. I do not know anything about that. I never saw it.

Mr. GARDNER. But you heard that the understanding existed?

Mr. VAN ORMER. Yes. That would be handled altogether by our president, and would not come under my direct supervision at all.

Mr. GARDNER. You testified to the best of your knowledge that the practice under that agreement came to an end in 1906?

Mr. VAN ORMER. As nearly as I can recollect.

Mr. GARDNER. What brought it to an end? Were you notified by some outside parties of its discontinuance, or did you notify some parties that you were going to discontinue it, or did you simply charge different prices?

Mr. VAN ORMER. We just simply quit, and told our selling agencies and branch offices to go ahead and take business at prices that we suggested.

Mr. GARDNER. But you notified no outside parties?

Mr. VAN ORMER. Not so far as I can tell you now. I do not think so.

Mr. GARDNER. You say you do not know just whether this was a written agreement or not. Who does know?

Mr. VAN ORMER. Well, now, if you are speaking of the Lukens Iron & Steel Co.——

Mr. GARDNER. I am speaking of them, and of any other person that——

Mr. VAN ORMER. So far as we are concerned, Mr. A. F. Huston, our president.

Mr. GARDNER. Mr. A. F. Huston?

Mr. VAN ORMER. Yes; he would be the one who would know, and the only one.

Mr. GARDNER. He would know whether there was a written agreement?

Mr. VAN ORMER. Yes.

Mr. GARDNER. Is there anybody else that would know?

Mr. VAN ORMER. Of our people, you mean?

Mr. GARDNER. No.

Mr. VAN ORMER. Oh, yes; there must be somebody else, because one person could not make an agreement.

Mr. GARDNER. Can you mention somebody whom we could subpœna who would know?

Mr. VAN ORMER. No; for I never saw the agreement. I do not know who the parties might have been to it.

Mr. GARDNER. You do not know who the parties to the agreement were?

Mr. VAN ORMER. No; I never saw the agreement. What I might say would simply be an expression of opinion, which I do not think you want.

Mr. GARDNER. Perhaps we should not ask. Now, this agreement which was proposed was sent out by your company to a large number of parties requesting their signatures?

Mr. VAN ORMER. Yes, sir.

Mr. GARDNER. Did your company originate this proposition?

Mr. VAN ORMER. I am not prepared to answer. I merely know of this owing to my association with Mr. Huston; but I would hazard the thought that he did not prepare this.

Mr. GARDNER. Can you hazard a supposition as to who did?

Mr. VAN ORMER. Not the slightest.

Mr. GARDNER. But you, at all events, were the company that ostensibly was sending out the agreements to be signed?

Mr. VAN ORMER. Yes.

Mr. GARDNER. Certain of those came back to you signed?

Mr. VAN ORMER. I can not say they were signed.

Mr. GARDNER. Do you know that certain of them came back to you unsigned?

Mr. VAN ORMER. I know they came back.

Mr. GARDNER. But whether signed or unsigned you do not know?

Mr. VAN ORMER. I do not know.

Mr. GARDNER. But you testified, I think, that having found it to be illegal, the whole matter was dropped?

Mr. VAN ORMER. Yes. I would say that——

Mr. GARDNER. Wait a minute. And that all these agreements, whether signed or unsigned, were burned?

Mr. VAN ORMER. So far as I know now, and so far as we knew then; and the care exercised in getting these back prompts me to say that they were all returned, either signed or unsigned, and they were all burned.

Mr. GARDNER. And it was a generally understood thing that the whole plan had fallen through?

Mr. VAN ORMER. Yes, sir.

Mr. GARDNER. Now, as a matter of fact, you are not able to tell us whether, so far as your company is concerned, after that, when the agreements were burned, the terms of the agreement were carried out so far as the Lukens Iron Co. is concerned? In other words, did the practice of the Lukens Iron & Steel Co., after this agreement was burned, conform to the statements set forth in that agreement?

Mr. VAN ORMER. Yes, sir; in part; but whether wholly I am not prepared to say.

Mr. GARDNER. But you are prepared to say that in part it did?

Mr. VAN ORMER. Yes, sir.

Mr. GARDNER. Do you know of any instance in which it did not?

Mr. VAN ORMER. No; I can not point that out to you.

Mr. GARDNER. So that it might be possible that although all those agreements were burned—the originals—that every company had a copy which they retained and proceeded to execute as long as they felt like it?

Mr. VAN ORMER. We had no reason to think they kept copies. It was the intent to have the whole thing returned.

Mr. GARDNER. You, yourself, did not keep a copy?

Mr. VAN ORMER. No, sir.

Mr. GARDNER. Well, if you did not keep a copy you must have had it pretty fully in your memory to be able to say that the practice of your company conformed to the agreement?

Mr. VAN ORMER. I did not say that. I say it may have——

Mr. GARDNER. I mean that you knew that in part it conformed to the agreement.

Mr. VAN ORMER. Yes. I am hardly a competent witness, for this reason. My work has to do with the booking and scrutiny of orders and the execution of orders, and larger matters do not come under the jurisdiction of our department.

Mr. YOUNG. Mr. Huston would know all about that, would he?

Mr. VAN ORMER. Well, I would suppose so.

Mr. BEALL. Where is Mr. Huston?

Mr. VAN ORMER. He will be here to-morrow if he answers the subpœna. I suppose he is at home to-day.

Mr. BEALL. He was president of this Lukens Iron Co. in 1900?

Mr. VAN ORMER. Yes. He has been—now I am not so sure about that, as to just when his father died.

Mr. BEALL. What relation did you bear to Mr. Huston at that time?

Mr. VAN ORMER. About the same I do now; in charge of what you might call the order department. I never was his private secretary. I was mentioned here awhile ago as such, and I have been mentioned as the secretary of the concern, which is not the case.

Mr. BEALL. When did you first hear anything about this agreement, or having it printed?

Mr. VAN ORMER. Well, about the time it was printed.

Mr. BEALL. Who told you?

Mr. VAN ORMER. Mr. Huston.

Mr. BEALL. How did he happen to tell you? What was he talking about?

Mr. VAN ORMER. In the ordinary course of business, I suppose.

Mr. BEALL. Was that before these copies had been sent out, that he told you about it?

Mr. VAN ORMER. I knew of it just about the time that these copies were being printed.

Mr. BEALL. Do you know where he was having them printed?

Mr. VAN ORMER. Yes.

Mr. BEALL. How long after they were printed was it before they were sent out?

Mr. VAN ORMER. Not very much time elapsed between getting them from the printers until they were mailed.

Mr. BEALL. How long after they were mailed was it before a request was sent for them to be returned?

Mr. VAN ORMER. Within a few days. I can not say whether it was three days or a week. I would suppose it was not longer than a week.

Mr. BEALL. Who told you that the request was to be made for their return?

Mr. VAN ORMER. I could not understand the question.

Mr. BEALL. Who first advised you that all these copies that had been sent out to these parties were to be returned?

Mr. VAN ORMER. Oh, that would have come from Mr. Huston.

Mr. BEALL. Something was said about them being illegal. Did you discuss that question with Mr. Huston?

Mr. VAN ORMER. No; not specially.

Mr. BEALL. Do you know who advised your company that they were illegal?

Mr. VAN ORMER. No; no.

Mr. BEALL. Did Mr. Huston give any evidence of alarm over the fact that he had been advised that they were illegal?

Mr. VAN ORMER. No; not especially. I would say no.

Mr. BEALL. But he did ask for their return?

Mr. VAN ORMER. Yes.

Mr. BEALL. I understand you that you do not know whether they were signed or unsigned when they were returned?

Mr. VAN ORMER. That is right.

Mr. BEALL. Why did you burn these copies?

Mr. VAN ORMER. We had no use for them.

Mr. BEALL. Do you burn all your waste papers that you have no use for?

Mr. VAN ORMER. Yes; a great deal of it.

Mr. BEALL. You throw a great deal of it in the waste-paper basket, do you not?

Mr. VAN ORMER. Nothing that has any special—nothing of any special interest.

Mr. BEALL. You did take particular pains to see that every one of these copies that you had sent out and that had been returned was burned?

Mr. VAN ORMER. Yes, sir.

Mr. BEALL. Who burned them?

Mr. VAN ORMER. Now, I am not certain whether Mr. Huston burned them or whether I burned them for him.

Mr. BEALL. Where did he burn them?

Mr. VAN ORMER. More than likely in one of the mill furnaces. It was a large bundle, you know—a package about——

Mr. BEALL. Did you see them put in?

Mr. VAN ORMER. Did I?

Mr. BEALL. Yes.

Mr. VAN ORMER. No; not unless I burned them myself.

Mr. BEALL. You do not know whether you burned them or not?

Mr. VAN ORMER. No; but I have every reason to believe they were burned.

Mr. BEALL. You tried to burn every copy, did you not?

Mr. VAN ORMER. Yes.

Mr. BEALL. The printer had given you a good many copies more than you sent out, had he not?

Mr. VAN ORMER. Well, more than likely there were some more. I do not remember about that.

Mr. BEALL. Do you know whether you got about 35 copies or not?

Mr. VAN ORMER. I do not know.

Mr. BEALL. You were sending out about 10 or 11 or 12 copies, or somewhere along there?

Mr. VAN ORMER. Yes.

Mr. BEALL. Did you burn all those copies that you did not send out?

Mr. VAN ORMER. There is not a copy of this about our office, so far as I know.

Mr. BEALL. Why did you burn them?

Mr. VAN ORMER. We let them all go together.

Mr. BEALL. They were not signed?

Mr. VAN ORMER. No; none of them were signed as far as I knew it.

Mr. BEALL. You are not certain about that?

Mr. VAN ORMER. No, sir.

Mr. BEALL. But you did take pains, did you not, to burn every copy you could find in the office?

Mr. VAN ORMER. I should say so.

Mr. BEALL. Because you had been advised that they were illegal?

Mr. VAN ORMER. That is my recollection. There would not be any use in burning a few copies, you know.

Mr. BEALL. There was the fear if any of these copies of the agreement had remained in existence there that they might bob up at some time as evidence against you, was there not?

Mr. VAN ORMER. Oh, no; not that. They could not have served that purpose.

Mr. BEALL. Then why the anxiety to see that all of them were burned?

Mr. VAN ORMER. Because there was no use in keeping them.

Mr. BEALL. Was any effort made to find out whether any of them were kept at the printing office or not?

Mr. VAN ORMER. Not after getting back what we supposed was all that they had up there.

Mr. BEALL. Was any effort made at any time to find out whether any of these copies that you had been advised constituted an illegal agreement could be found in the printing office?

Mr. VAN ORMER. No. As I said a bit ago, we got back the copy which the printers used and, as we supposed, all of the copies run off of the press.

Mr. LINDABURY. They so assured you?

Mr. VAN ORMER. They so assured us.

Mr. BEALL. Did you ask that the copy the printer used be returned, too?

Mr. VAN ORMER. Oh, yes, sir. If I went there I asked for that, and if Mr. Huston went he asked for it—certainly.

Mr. BEALL. Do you know whether you went or Huston went?

Mr. VAN ORMER. I am not prepared to say definitely. It is just likely and possible that I went.

Mr. BEALL. If you do not remember whether you went or not, you can not very well testify as to what occurred there, can you?

Mr. VAN ORMER. To what do you refer now?

Mr. BEALL. The interview with the printer.

Mr. VAN ORMER. Oh, yes, sir. For this reason. Constitutionally I would not make a remark like that upon an important subject to anybody. There are some things we do mechanically, as a matter of habit you know; and I would never do that. I never have, in my 20 years of experience, vouchsafed a remark of that kind to anybody, unimportant or important.

Mr. BEALL. You deny that conversation, then; not because of any distinct recollection of what occurred, or what did not occur, but

simply that it conformed to your general habit not to say anything of that sort.

Mr. VAN ORMER. If I was there I can say that I did not say so, for both reasons. I certainly would not forget a conversation like that if I had been there.

Mr. BEALL. Well, when you started out to get these copies back, it was on account of the fear of criminal prosecution, was it not?

Mr. VAN ORMER. Now, I did not take the initiative about getting them back. You will have to——

Mr. BEALL. In the conversation between you and Mr. Huston and others there in the office, when you were discussing the question that you had been led into almost making an illegal contract, was there not something said such as that if that contract was made you would get into trouble over it?

Mr. VAN ORMER. I think I would not put it quite in that shape.

Mr. BEALL. Was anything said about the fact that anybody might get into the penitentiary because of it?

Mr. VAN ORMER. Not to the best of my recollection.

Mr. BEALL. Do you have any recollection either way on the subject?

Mr. VAN ORMER. I would say no. I do not think that construction is proper.

Mr. BEALL. Did you ask for the return of these contracts by letter?

Mr. VAN ORMER. I can not answer that question.

Mr. BEALL. If you did, have you copies of those letters in your files?

Mr. VAN ORMER. I presume so. I did not write the letters; but if Mr. Huston wrote to those folks we probably have copies.

Mr. BEALL. You did not write for the return of them?

Mr. VAN ORMER. No, sir.

Mr. BEALL. Your knowledge then about there having been a written request for the return was on account of rumors there in the office?

Mr. VAN ORMER. Simply general impression.

Mr. BEALL. If he did write for them you have copies of the letters there in the office?

Mr. VAN ORMER. Yes.

Mr. BEALL. And you would have copies of any replies that were received, returning——

Mr. VAN ORMER. Yes; I should say so.

Mr. BEALL (continuing). These contracts?

Mr. VAN ORMER. Yes.

Mr. BEALL. Will you produce for the use of the committee the copies?

Mr. VAN ORMER. That had better be referred to Mr. Huston to-morrow. He is coming.

Mr. BEALL. That had better be referred to Mr. Huston to-morrow?

Mr. VAN ORMER. Yes.

Mr. BEALL. You say that after this contract was returned, in the course of your business, sometime after that you conformed, at least in part, to its provisions. Can you indicate in what part you conformed?

Mr. VAN ORMER. Well, can you specify?

Mr. BEALL. Well, it provides a certain percentage of business—that the Lukens Iron & Steel Co. should be allowed 7½ per cent. Do you know whether the percentage of the business that you transacted corresponded to this agreement or not?

Mr. VAN ORMER. I presume that that allotment—7½ per cent—was not very far wrong.

Mr. BEALL. Your impression is that in the conduct of your business you conformed pretty closely to this 7½ per cent?

Mr. VAN ORMER. Yes, sir; I would say so.

Mr. BEALL. Did you make any reports to anybody as to the amount of business that you were doing?

Mr. VAN ORMER. Yes.

Mr. BEALL. To whom?

Mr. VAN ORMER. To a man—the reports were made to a man named Temple.

Mr. BEALL. What position did he occupy? What was his relation to your company, if any?

Mr. VAN ORMER. Well, he got all of these reports and tabulated them.

Mr. BEALL. What is his name?

Mr. VAN ORMER. Temple—W. C. Temple.

Mr. BEALL. Where does he live?

Mr. VAN ORMER. I do not know where he lives now. He did live in Pittsburg.

Mr. BEALL. How long has it been since you have seen him?

Mr. VAN ORMER. I do not have any definite recollection of ever seeing him.

Mr. BEALL. Where did he live then?

Mr. VAN ORMER. At Pittsburg.

Mr. BEALL. At the time that this agreement was printed, do you know whether the officers of the association had been agreed on or not?

Mr. VAN ORMER. I do not.

Mr. BEALL. Did you hear?

Mr. VAN ORMER. I did not.

Mr. BEALL. Did you have any information as to who would be president, and treasurer, commissioner, and executive committee of this association?

Mr. VAN ORMER. Oh, I may have known incidentally. I do not recall now whether I did or not.

Mr. BEALL. Did Mr. Temple incidentally occupy any official position in this association that was to be formed?

Mr. VAN ORMER. Yes; he would have been that commissioner.

Mr. BEALL. He would have been the commissioner?

Mr. VAN ORMER. Yes.

Mr. BEALL. He would have been the man, then, under this agreement, that you would have made this report to?

Mr. VAN ORMER. Under this agreement?

Mr. BEALL. Yes.

Mr. VAN ORMER. I do not know.

Mr. BEALL. Let us see. This agreement provides:

The officers of this association shall be as follows: A president, a treasurer, a commissioner, and an executive committee consisting of six members, including the president.

The third section reads:

Each member of this association shall, on or before the 10th day of December, 1900, and on or before the 10th day of each and every month thereafter during the term of this agreement, or any extension thereof, render to the commissioner of this association a statement—

I believe you say that you did render to the commissioner a statement. Did you render to him a monthly statement?

Mr. VAN ORMER. Yes.

Mr. BEALL. That is your impression?

Mr. VAN ORMER. Yes.

Mr. BEALL (reading):

which statement shall be sworn to or affirmed to by one of the principal executive officers of the member so making the report.

Were these statements sworn to or affirmed to by anybody?

Mr. VAN ORMER. They were for a while, and may have been all the time. I am not so sure about that.

Mr. BEALL. You know they were for at least part of the time. Who made that for your company?

Mr. VAN ORMER. Mr. Huston when he would be at home, and I would execute that document in his absence.

Mr. BEALL. This agreement provides that that oath "shall be to the effect that the report so made is a true and correct report of all the material described in the first clause of this agreement which was shipped by the member making the report during the month for which the report is made."

Did the oath that you made conform to this oath that is prescribed in this agreement?

Mr. VAN ORMER. You mean so far as that being the correct tonnage is concerned?

Mr. BEALL. Yes.

Mr. VAN ORMER. Yes.

Mr. BEALL. Did you give in your affidavit the substance of this oath, as prescribed in the agreement?

Mr. VAN ORMER. It was a correct statement of what we had shipped.

Mr. BEALL. Why did you make that report to Temple?

Mr. VAN ORMER. I am not prepared to answer that question.

Mr. BEALL. Do you know who is prepared to answer it?

Mr. VAN ORMER. Oh, I should think Mr. Huston could answer better than I could. I know of no agreement. If there was one he must know about it.

Mr. BEALL. Did you have any understanding as to the purpose for which that was made?

Mr. VAN ORMER. Oh, yes. I knew in a general way that——

Mr. BEALL. Well, now, give us that.

Mr. VAN ORMER. I have given it to you.

Mr. BEALL. Why was that made to Mr. Temple, according to your best understanding?

Mr. VAN ORMER. Why, to conform to that percentage of tonnage. I mean, to show whether——

Mr. BEALL. What percentage?

Mr. VAN ORMER. That you spoke of a little bit ago.

Mr. BEALL. The percentage mentioned in this agreement?

Mr. VAN ORMER. Or some other. I am not sure whether this is right.

Mr. BEALL. Or a similar percentage?

Mr. VAN ORMER. Yes, sir; something of that sort.

Mr. BEALL (reading):

The form of the report and oath of affirmation as to its correctness shall be furnished by the commissioner, and shall include a statement of the rolling production for each month; and upon the commissioner's receiving from the respective members their reports, as aforesaid, he, the commissioner, shall render to each member monthly, as soon as possible after the receipt of all the statements of all the members, copies of statements last rendered by each member.

Did Mr. Temple furnish your company with statements showing the statements of all the members—copies of statements last rendered by each member? Did he furnish your company with a copy of a statement made by any other concerns?

Mr. VAN ORMER. Yes.

Mr. BEALL. Do you know how many others?

Mr. VAN ORMER. No; I do not know offhand.

Mr. BEALL. Do you know whether he furnished statements for all the names that were included in this agreement that was never made?

Mr. VAN ORMER. Offhand I can not say either yes or no.

Mr. BEALL. According to your best recollection, did he fail to include a statement from any of these?

Mr. VAN ORMER. It is not fair to ask me to answer a question that I can not answer intelligently.

Mr. BEALL. Have you any recollection about your receiving a statement from anybody else than these furnished by Mr. Temple?

Mr. VAN ORMER. I would suppose not.

Mr. BEALL. You would think not?

Mr. VAN ORMER. I would think not.

Mr. BEALL. Why would you suppose not?

Mr. VAN ORMER. Just because they they were not mentioned here.

Mr. BEALL. That was the agreement that was never executed, though?

Mr. VAN ORMER. Yes; I know. But I do not know of any other parties having been connected at all with the thing in this way.

Mr. BEALL. Now, do you not know that you did get statements furnished to Mr. Temple by all of the parties that are named in this agreement?

Mr. VAN ORMER. Oh, I think it is proper to say yes. I can not be sure that all these folks, all these concerns here——

Mr. BEALL. But——

Mr. LINDABURY. Let him finish his answer.

Mr. BEALL. Yes; I would be glad to let him finish his answer.

Mr. VAN ORMER. I can not be sure that every statement gave every one of these concerns. I do not think any were given that are not on here, but whether all of these were given I am not prepared to say.

Mr. BEALL. But your best impression is that they were?

Mr. VAN ORMER. Yes.

Mr. BEALL (reading):

And shall forthwith "state an account," charging each member who has shipped during the month more than its or their percentage of the total amount shipped by all the members of the association, the sum of thirty-five hundredths of a cent per pound on each and every pound of such excess.

Do you know whether that was done or not?

Mr. VAN ORMER. That passes out of my jurisdiction now altogether.

Mr. BEALL (reading):

And crediting each member who has not shipped its or their percentage of the total amount shipped by all the members of the association with the sum of thirty-five hundredths of a cent per pound.

Did your concern always ship as much as its allotment of about 7½ per cent, or whatever the per cent was?

Mr. VAN ORMER. I would say, yes.

Mr. BEALL. You did not have occasion, then, to call on Mr. Temple for anything to make good—any shortage of your concern?

Mr. VAN ORMER. No.

Mr. BEALL. In here somewhere there is a provision for a deposit——

Mr. VAN ORMER. That is a part that I am not prepared to talk about. That would be handled altogether by——

Mr. BEALL (reading):

To insure the rendering of the statements and the faithful adherence of each party to the terms of this agreement, a guaranty fund of $100,000 shall be formed by the payment, on or before December 3, 1900, of $1,000 for each per cent of allotment, as provided for in the first clause of this agreement, to the treasurer, which fund shall be deposited or invested as directed by the executive committee in trust for the members in the same proportion as received.

Did you have any information that your company had up with Mr. Temple or any association any sum of money as a deposit?

Mr. VAN ORMER. I would rather you would not press that question with me.

Mr. BEALL. I want to press it, if you have the information.

Mr. VAN ORMER. I can not answer it.

Mr. BEALL. Did you ever hear anything about it?

Mr. VAN ORMER. I can give my impression.

Mr. BEALL. I want your impression.

Mr. VAN ORMER. But I question whether I can be compelled——

Mr. BEALL. Who can give us that information direct?

Mr. VAN ORMER. You can get it from Mr. Huston to-morrow.

Mr. BEALL. You said you had an impression.

Mr. LINDABURY. I object.

Mr. BEALL. That impression is gained from something you heard at the time?

Mr. VAN ORMER. I will tell you in all candor. You want exact information, and I want to give you that as far as I can; but please do not ask me about anything that I am not conversant with fully.

Mr. BEALL. If you give it as your impression it goes into the record as your impression.

The CHAIRMAN. Answer the question.

Mr. LINDABURY. I object to the witness being compelled to give mere impressions. If he has any recollection or knowledge of the fact, as such, it is all right to give it, but if he objects to guessing I submit he should not be pressed to guess, and I advise him that he is not bound to guess.

The CHAIRMAN. If we were sitting as a court and this man were on trial as a criminal, and we had the right and authority to punish

him, why there might be some validity in the objection of counsel; but we are simply seeking information, and his impression under the circumstances is valuable information to this committee. For that reason I insist that the witness answer.

Mr. VAN ORMER. I never saw a check.

Mr. BEALL. Did you ever hear of a check being sent?

Mr. VAN ORMER. That is probable, in the ordinary talk around the office; but you can get this information better to-morrow from Mr. Huston than you can from me.

Mr. BEALL. Was it not your understanding that this deposit was made? Did you not hear it?

Mr. VAN ORMER. I have such an impression; yes.

Mr. BEALL. That is your impression?

Mr. VAN ORMER. Yes.

Mr. BEALL. That you made the deposit?

Mr. VAN ORMER. Yes.

Mr. BEALL. Have you looked over that agreement? You are familiar with its contents?

Mr. VAN ORMER. I looked over it a few minutes ago, hastily.

Mr. BEALL. And you had knowledge of its contents at the time it was printed?

Mr. VAN ORMER. Perhaps——

Mr. BEALL. Can you name a single part or a single provision that is contained in that agreement with the Lukens Co. did not observe and live up to?

Mr. VAN ORMER. I would have to read it more carefully, and take more time.

Mr. BEALL. From the casual reading that you have made of it, can you direct our attention to a single provision in it that was not observed?

Mr. VAN ORMER. Not until I have read it over carefully.

Mr. BEALL. So far, you do not know of any?

Mr. VAN ORMER. Well, I do not know that we did either. That is an open question. If I had a chance to read this over and digest it——

Mr. GARDNER. May I ask a question?

The CHAIRMAN. Yes.

Mr. GARDNER. Have you any doubt that that agreement read by the chairman, which is derived from a copy printed by a printer, is substantially the same or is exactly the same—have you any doubt that it is exactly the same in its text as those burned agreements?

Mr. VAN ORMER. Oh, yes. I can answer that question positively, because I recognized this printed copy this morning in Mr. Stanley's hand there as likely to be the one that I saw at that time. Ten years is a long while ago.

Mr. GARDNER. You have no doubt, then, that it is a perfectly genuine paper——

Mr. VAN ORMER. Not the slightest.

Mr. GARDNER. And that irrespective of what its history is, that it is one of the original agreements?

Mr. VAN ORMER. Yes.

Mr. GARDNER. So that it is a matter of indifference in what shape it comes to this committee—whether it has been in a hole in a tree for 10 years or not—that is the same that was burned?

Mr. VAN ORMER. So nearly as I can tell, and as I believe.

Mr. BEALL. While you were observing this agreement, were there any complaints made about any of the other concerns not conforming to it with respect to the amount of product that they should sell?

Mr. VAN ORMER. I failed to quite catch your inquiry.

Mr. BEALL. While you were operating under the same kind of an agreement with different producing concerns did you ever hear any complaint about any of them selling more than their allotted share?

Mr. VAN ORMER. Well, I do not know.

Mr. BEALL. You do not know what?

Mr. VAN ORMER. I do not know. If they would sell more it would be quite evident on the face of it.

Mr. BEALL. If they sold more than their share they would be penalized under the form of that printed agreement, would they not?

Mr. VAN ORMER. Evidently.

Mr. BEALL. Do you know whether any of them were ever penalized for selling more than their allotted share under any system under which you were operating?

Mr. VAN ORMER. I would have to go back to my impressions again. That did not come under my supervision.

Mr. BEALL. Did you hear anything about the office at the time about any of them being penalized?

Mr. VAN ORMER. Oh, yes. There might have been talk of that kind, if they were penalized.

Mr. BEALL. If they were penalized, your company would get part of the penalty, would it not, under the terms of that printed agreement?

Mr. VAN ORMER. Not if they made any more than the allotment to which they were entitled.

Mr. BEALL. How is that?

Mr. VAN ORMER. No.

Mr. BEALL. That would go to the ones that were short?

Mr. VAN ORMER. Will you not just defer this line of questioning until you have a chance to talk to Mr. Huston, who knows more than I do about it?

Mr. BEALL. We are going to talk to Mr. Huston about it to-morrow.

Mr. VAN ORMER. All right. If I can be of any help to you, go ahead.

Mr. LINDABURY. Under an ararngement of that kind somebody must be short if somebody else exceeds the allotment, of course.

Mr. GARDNER. I just want to ask a question, Mr. Chairman.

The CHAIRMAN. All right.

Mr. GARDNER. When did you begin rendering statements to Mr. Temple?

Mr. VAN ORMER. I can not answer that question.

Mr. GARDNER. To the best of your recolection, was it after these agreements were burned?

Mr. VAN ORMER. Not before.

Mr. GARDNER. Not before?

Mr. VAN ORMER. Not before.

Mr. GARDNER. Did your practices change after this agreement was burned as to the price and output and so on, from what they were previous to the proposed agreement?

Mr. VAN ORMER. You know about that time—I am not certain just how long before that time—we were passing through a period of the nonproductive business. Plates were sold for a time—just how long before this I can not remember now—without profit. Naturally if there was a chance for a better price it would be used.

Mr. LINDABURY. It would be welcomed, I suppose.

Mr. VAN ORMER. Naturally. Either that or we would have to get out of the business.

Mr. GARDNER. I would like to have your impression as to this question. This was soon after the depression in steel prices. It would be about the time that the first alleged rail arrangement was made by the rail manufacturers. Was it generally supposed to run all through the steel business—this sort of agreement—at that time?

Mr. VAN ORMER. I think I can consistently say yes.

Mr. GARDNER. It was?

Mr. VAN ORMER. I think so.

Mr. GARDNER. You think it was the custom of other steel manufacturers to prepare a statement and send it out for signatures?

Mr. VAN ORMER. I am not competent to answer that question.

Mr. GARDNER. You are not competent?

Mr. VAN ORMER. I have not knowledge of that at all.

Mr. GARDNER. But you think that substantially this arrangement was proposed all through the steel industry?

Mr. VAN ORMER. Yes; that was the opinion, I believe, generally. It would hardly apply to one branch of it.

Mr. GARDNER. That is all I wanted to find out by asking you this.

Mr. YOUNG. Are you speaking from your knowledge, or are you drawing a conclusion?

Mr. VAN ORMER. You mean about the diffusion of this thing throughout the whole steel business?

Mr. YOUNG. Yes.

Mr. VAN ORMER. Well, now, that is pretty hard to answer. Ten years is a long time ago, but I believe that it may have been done by other branches of the steel trade.

Mr. LINDABURY. Have you any knowledge?

Mr. VAN ORMER. No; I have not.

Mr. LINDABURY. That is the question.

Mr. GARDNER. Mr. Chairman, I offer this statement of Percival Roberts, jr., a director in the Pennsylvania Railroad, submitted by him in reply to certain questions asked by me in the hearing of Friday, June 9, 1911.

(The statement above referred to is as follows:)

Comparative prices of material.

Items.	Price per—	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911
Buildin													
F. , or Wilmington, Del.; market Warner Co.	M.....	$12.00	$12.00	$12.00	$12.00	$12.00	$12.00	$12.00	$12.00	$12.00	$12.00	$12.00	$12.00
p(F. (market prices furnished by S. B. D	...do.....	8.75	8.75	8.75	9.00	9.00	9.00	9.00	9.00	8.75	8.75	9.50	9.50
Building brick, common hard:													
F. o. b. Philadelphia, Pa.; market prices furnished by S. B. Dobbs.	...do.....	7.75	8.75	8.75	8.00	8.00	8.00	8.00	7.50	7.50	7.50	8.00	8.00
F. o. b. mill, Hall, Pa., actual prices paid by the Pennsylvania R. R. Co.	...do.....		7.25	8.00	7.50	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
F. o. b. Steelton, Pa.; actual prices paid by the Pennsylvania R. R. Co.	...do.....		8.00	8.00	8.00	8.50	8.50	8.50	8.50	8.50	8.50	8.00	8.00
, or Wilmington, Del.; market Warner Co.....	Net ton[1]..	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50
F. o. b. mill: actual prices paid by Pennsylvania R. R. Co.—													
January.....	Barrel....	1.80	1.70	1.20	1.75	1.20	1.15	1.20	1.35	1.35	1.20	1.05	1.10
February.....	...do.....	1.80	1.70	1.20	1.80	1.20	1.15	1.40	1.35	1.35	1.20	1.05	1.10
March.....	...do.....	1.80	1.70	1.20	2.00	1.20	1.15	1.40	1.35	1.35	1.20	1.15	1.10
April.....	.do.....	1.80	1.70	1.30	1.81	1.20	1.18	1.20	1.35	1.35	1.20	1.15	1.10
May.....	.do.....	1.80	1.70	1.40	1.95	1.20	1.25	1.40	1.35	1.35	1.20	1.15	1.10
June.....	...do.....	1.80	1.70	1.75	1.65	1.20	1.35	1.40	1.35	1.20	1.20	1.15	1.10
July.....	...do.....	1.80	1.70	1.85	1.85	1.10	1.25	1.45	1.35	1.20	1.20	1.15	.....
August.....	...do.....	1.80	1.70	2.00	1.45	1.03	1.25	1.55	1.35	1.20	1.20	1.15	.....
September.....	.do.....	1.80	1.50	2.35	1.40	1.02	1.25	1.70	1.35	1.20	1.05	1.15	.....
October.....	...do.....	1.70	1.50	2.25	1.40	1.05	1.25	.....	1.35	1.20	1.05	1.15	.....
November.....	...do.....	1.20	1.50	2.25	1.20	1.05	1.00	.....	1.35	1.20	1.05	1.15	.....
December.....	...do.....	1.70	1.20	1.75	1.20	1.05	1.00	.....	1.35	1.20	1.05	1.15	.....
Crossties, first class, white oak: F. o. b. Philadelphia, Pa.; actual prices paid by Pennsylvania R. R. Co.	Each..	.70	70	.72	.74	.76	.76	.78	.84	.84	.86	.90	.90

[1] An advance of 10 cents per net ton, Dec 15 to Mar. 15.

The CHAIRMAN. The committee will now take a recess until 2 o'clock.

(The committee thereupon, at 1 o'clock p. m., took a recess until 2 o'clock p. m.)

AFTER RECESS.

At the expiration of the recess the committee resumed its session.

TESTIMONY OF HON. F. W. LEHMANN.

(Mr. Lehmann was duly sworn by the chairman and testified as follows:)

The CHAIRMAN. Mr. Lehmann, do you hold any office under the Federal Government?

Mr. LEHMANN. I am Solicitor General.

The CHAIRMAN. As Solicitor General have you had any occasion to examine the contracts made by the American Steel & Wire Co. and other companies in what is known as the "wire pool" and the "horseshoe pool" and the "underground-cable pool" and the like?

Mr. LEHMANN. I have.

The CHAIRMAN. I will ask you to examine the memorandum before you and state whether or not it resembles those agreements. I wish to state here that Mr. Lindabury, the attorney for the United States Steel Corporation, holds that there is no similarity between them, and I want to get your opinion on it.

Mr. YOUNG. Let us get the other contracts and have them all.

The CHAIRMAN. I will ask him if he has seen the other contracts.

Mr. LEHMANN. I have.

Mr. LINDABURY. Mr. Chairman, I should like to make an objection. My objection is, first, that the contracts would speak for themselves if produced; and if the Solicitor General has a copy of the contracts I ask that the copy be produced.

The CHAIRMAN. Have you a copy of those contracts?

Mr. LEHMANN. I have not.

The CHAIRMAN. Have you seen them?

Mr. LEHMANN. I have.

The CHAIRMAN. All right; proceed.

Mr. YOUNG. Are they not set out in full in the indictment?

The CHAIRMAN. They are not.

Mr. LEHMANN. I think not.

Mr. LINDABURY. They must be in the custody of the Department of Justice somewhere. Possibly the district attorney of New York has them. They are accessible to the subpœna of the committee, and therefore, if they are of account, we ought to have them and not some witness's general recollection of their similarity to some other unproven paper.

Mr. YOUNG. It seems to me we are rather wasting time.

Mr. LEHMANN. I answered the inquiry by saying that the papers referred to are in the custody of the Department of Justice and in the immediate custody of the district attorney of New York.

The CHAIRMAN. You have seen those contracts?

Mr. LEHMANN. I have seen some of them.

Mr. LINDABURY. I suppose it needs no consent upon our part; but if it does, I am perfectly willing to give consent that they be produced so far as the United States Steel Corporation is concerned.

The CHAIRMAN. That is not necessary.

Mr. LINDABURY. I suppose not; but I not only consent to that, but I insist that if we are to take account of them we should have them—the agreements themselves.

The CHAIRMAN. Will you produce to this committee, Mr. Lehman, a copy of those contracts for the use of the committee?

Mr. LEHMANN. Yes; I see no reason why that should not be done.

Mr. LINDABURY. I see none.

The CHAIRMAN. All right. You may proceed. You have examined the contracts. Please tell me in what respects they are like that memorandum.

Mr. LINDABURY. To that question I object.

The CHAIRMAN. The objection is overruled. You may proceed.

Mr. LEHMANN. I have examined this casually, and I would not assume at all to speak as to the verbal identity of the agreements, because it has been some time since I read the others, and they are long. If I may go on, I will state that I was impressed, when this was shown to me, with the resemblance in what I conceive to be the practical effect of the agreements—that is, that there was an agreement between manufacturers; that that agreement, among other things, provided for an apportionment of sales to be made; that it provided for a fund which was to be contributed by the parties to the agreement in substantial proportion to the allotment of tonnage to each; that there was to be a report by the members of their transactions under the agreement; that there was a provision looking to a minimum price at which products were to be sold; that there was provision for enforcing the agreement in the nature of fines upon accusations of breach of the agreement made and ascertained to be established.

Mr. LINDABURY. Those general provisions are common to almost all pooling agreements, are they not?

Mr. LEHMANN. So far as I am informed.

The CHAIRMAN. As I understand you, Mr. Solicitor General, the two contracts are alike in that they provide for a distribution of the tonnage?

Mr. LEHMANN. Yes, sir.

The CHAIRMAN. They are alike in that they provide for a fixed price to be observed for all?

Mr. LEHMANN. No, sir; a minimum price.

The CHAIRMAN. A minimum price to be observed for all?

Mr. LEHMANN. Yes.

The CHAIRMAN. They are alike in that they provide for a penalty for the violation of that contract?

Mr. LEHMANN. For breach of the contract; yes.

The CHAIRMAN. They are alike in that they provide for a common officer to whom reports of sales shall be made?

Mr. LEHMANN. I think possibly there is more difference in that respect than in others. I do not find in this, in the hasty examination I have made, any provision for examination of books, for example.

The CHAIRMAN. No; but each provides, as I understand from the indictments, for report to a common officer?

Mr. LEHMANN. For report; yes, sir.

The CHAIRMAN. And for a penalty for a breach of the contract?

Mr. LEHMANN. Yes, sir.

The CHAIRMAN. Are there any essentials in the carrying into effect of that contract that are not provided in the contracts now in the hands of the Department of Justice?

Mr. LEHMANN. I should not like to say as to that—whether there are any features of difference which are essential—because that is calling rather heavily on the memory for words. But the features that you have suggested—the agreement between the producers, the apportionment of tonnage, the provision for a fund, the requirement of report, and the establishment of a minimum price—are the things that impressed me; and I would not like to go beyond that as a matter of recollection.

The CHAIRMAN. Do you remember whether each contract provides for the deposit of money?

Mr. LEHMANN. That is what I referred to as the establishment of a fund.

The CHAIRMAN. Are these contracts, upon which indictments have been found against the American Steel & Wire Co. or its officers, signed contracts?

Mr. LEHMANN. No, sir; not to my recollection. That is, what I saw were not signed.

The CHAIRMAN. How were those contracts arranged?

Mr. LEHMANN. Two of them were printed.

The CHAIRMAN. Printed contracts, not signed?

Mr. LEHMANN. Printed contracts, not signed.

Mr. LINDABURY. They provided for daily reports to a man named Jackson, did they not?

Mr. LEHMANN. Yes. I will not say "daily," but frequent.

Mr. LINDABURY. Daily, I know.

Mr. LEHMANN. Certainly very frequent reports, Mr. Lindabury.

Mr. LINDABURY. And Jackson was given the power to fix prices, was he not?

Mr. LEHMANN. I can not say as to that.

Mr. LINDABURY. Between meetings?

Mr. LEHMANN. That may be. They had frequent meetings.

Mr. LINDABURY. Monthly meetings; and Jackson was given power to vary prices between those meetings?

Mr. LEHMANN. And there were printed minutes of those meetings.

Mr. LINDABURY. They had printed regulations, you will remember.

Mr. LEHMANN. Yes, sir.

The CHAIRMAN. Your indictments were found on the ground that they were operating under those contracts, because you had evidence of operation under the contracts, notwithstanding the fact that the contracts themselves were not signed, but were merely printed memoranda?

Mr. LINDABURY. I must object to that. It is partly argumentative, partly suggestive, and in all respects it seems to me irrelevant.

The CHAIRMAN. I think it is relevant. You may answer.

Mr. LEHMANN. The indictments were found for a violation of what is known as the Sherman Act, and the agreements to which you refer were evidence in support of that charge.

Mr. LINDABURY. The indictments have all been printed. There is no reason why the committee should not have them.

The CHAIRMAN. I have never seen them.

Mr. LINDABURY. They describe the arrangement with a good deal of fullness, and I think with a very great deal of accuracy. It is very well done. Who drew those indictments?

Mr. LEHMANN. Mr. Pagan, I suppose.

Mr. LINDABURY. They are very well drawn.

The CHAIRMAN. I have the indictments. I will place in evidence, as an exhibit to be appended to this hearing, the indictment in the United States Circuit Court for the Southern District of New York in the case of United States of America *v.* William P. Palmer and others, of the Blue Copper Wire Association.

Mr. YOUNG. What has that to do with this case?

The CHAIRMAN. The question is raised here about whether these indictments recite the contract or not, and I just wish to put that in.

Mr. YOUNG. That would not be any proof as to whether the other did or not.

The CHAIRMAN. No.

Mr. YOUNG. It does not seem to me it cuts any figure here.

Mr. LINDABURY. May I note an objection, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. LINDABURY. My objection is that you can not prove the existence of a plate contract by proving the indictment in New York of certain gentlemen upon some other kind of a pooling arrangement.

The CHAIRMAN. I understood the gentleman to state that the indictments—just read what Mr. Lindabury said awhile ago.

Mr. LINDABURY. I stated that I thought the indictments very fully described that contract—not this one.

The CHAIRMAN. That is enough. Mr. Lindabury states that the indictments describe that contract. I beg leave to state that the indictments do not describe the contract in detail as Mr. Lehmann has done, and for that reason I simply wish to put this in evidence.

Mr. YOUNG. It seems to me that is lumbering the record.

The CHAIRMAN. I rather agree with you, Mr. Young; but I wish to state to Mr. Lindabury that I have read these indictments over very carefully, and they do not set up the contract.

Mr. LINDABURY. Not in haec verba; but they set forth the substance of the arrangement with quite a good deal of fullness.

Mr. YOUNG. Is it not true that Mr. Lehmann has promised to furnish us a copy of one of these contracts on which the indictment was based? That will settle the whole question.

The CHAIRMAN. I think so.

Mr. YOUNG. Nobody is objecting to the use of a copy instead of the original.

The CHAIRMAN. If Mr. Lehmann can furnish the contracts, I rather agree with you.

Mr. YOUNG. If it comes under the authority of the Department of Justice, we know it to be a correct copy.

Mr. STERLING. Who are the indictments against?

Mr. LEHMANN. They are against individuals who are officials and representatives of various companies.

Mr. STERLING. Are these companies the subsidiary companies of the United States Steel Corporation?

Mr. LEHMANN. Some of them are; some not.

Mr. LINDABURY. Only one?

Mr. LEHMANN. In fact, only one.

Mr. LINDABURY. I do not remember how many there were in all.

Mr. LEHMANN. There are nine indictments.

Mr. MCGILLICUDDY. Are the indictments against the parties who are parties to the pooling contract?

Mr. LEHMANN. Yes, sir.

Mr. MCGILLICUDDY. All of them?

Mr. LEHMANN. Yes, sir.

Mr. MCGILLICUDDY. The contracts in that case were not signed by the parties?

Mr. LEHMANN. No, sir.

Mr. MCGILLICUDDY. Then what evidence have you that they had any binding effect upon the parties, as long as they are not signed?

Mr. LEHMANN. The effect would not depend upon signature at all——

Mr. MCGILLICUDDY. That is what I want to get at.

Mr. LEHMANN. But simply upon the existence of the agreement.

Mr. MCGILLICUDDY. Between the parties?

Mr. LEHMANN. Between the parties.

Mr. MCGILLICUDDY. As an agreement?

Mr. LEHMANN. It would be just as effective if it were oral.

Mr. MCGILLICUDDY. Yes; I understand that. Have you evidence that there was such an agreement between the parties, in binding effect, which was not signed by the parties?

Mr. LEHMANN. Oh, yes. Otherwise there would have been no basis whatever for an indictment.

Mr. MCGILLICUDDY. That is what I want to get at.

Mr. LINDABURY. The evidence consisted of proof of the operation under it?

Mr. LEHMANN. Under it.

Mr. LINDABURY. Which, I think, was rather plenary. These were all what were called the "Jackson pools," were they not?

Mr. LEHMANN. I do not know that they were so designated; but Mr. Jackson, as I recall, was concerned in all of them.

Mr. LINDABURY. They are popularly called the "Jackson pools."

Mr. LEHMANN. That I did not know; but I should say that they answered that description, because Mr. Jackson was in all of them.

Mr. LINDABURY. He was the chief officer, designated by some name—"commissioner," I believe. The reports were all made to him.

Mr. LEHMANN. Yes.

Mr. LINDABURY. He was the manager, at any rate, by whatever title he was designated.

Mr. LEHMANN. That is substantially correct.

Mr. YOUNG. There is just one thing I should like to ask, Mr. Lehmann. About when did it appear that this agreement was entered into originally under which they have been acting?

Mr. LEHMANN. The indictments say 1908. That, of course, was to allege it within the period of the statute of limitations.

Mr. YOUNG. Yes.

Mr. LEHMANN. But that does not mean that it was originally formed on that basis, because where an indictment is for conspiracy we proceed on the assumption that the conspiracy is formed at any time that it is in operation.

Mr. YOUNG. Certainly; but is it not a fact that the original agreement, as evidenced by this paper which you have, was made a good while ago?

Mr. LEHMANN. Several years ago.

Mr. YOUNG. And that under that they have been operating?

Mr. LEHMANN. Yes.

Mr. YOUNG. That is the charge?

Mr. LEHMANN. Yes; that is correct.

Mr. YOUNG. And do you remember about when that started—when that paper was dated?

Mr. LEHMANN. No, sir; I do not. I can not give you that date from recollection.

Mr. LINDABURY. Do I understand you have no recollection of the date of the agreement which you have seen?

Mr. LEHMANN. No; I have not. It is not a matter that I would charge my memory with, because it is a matter that could always be determined by reference to the paper itself.

The CHAIRMAN. Mr. Lehmann, I will present you with that memorandum.

Mr. LEHMANN. I shall be much obliged if the committee will send me a memorandum of what they desire.

The CHAIRMAN. Yes, sir; and we will also present you with that memorandum which you have in your hand and commit it to your careful and prayerful consideration.

Mr. LEHMANN. Thank you, sir.

The CHAIRMAN. We are deeply grateful to you for your courtesy in appearing before the committee.

Mr. LINDABURY. Is this the printed one?

The CHAIRMAN. No, sir; that is typewritten.

Mr. LINDABURY. You ought to give him the printed one.

The CHAIRMAN. It is equally effective, from his interpretation.

There are several gentlemen here who are representatives of various steel and wire interests, whom I will call now.

TESTIMONY OF W. S. MITCHELL.

(The witness was duly sworn by the chairman, and testified as follows:)

The CHAIRMAN. What firm do you represent?

Mr. MITCHELL. I am a banker. I am cashier of a bank at Pittsburg—the Mellon National Bank.

The CHAIRMAN. Mr. Mitchell, you received a subpœna duces tecum, did you not?

Mr. MITCHELL. Yes.

The CHAIRMAN. For certain papers. Have you a copy of that subpœna with you?

Mr. MITCHELL. Yes. [Producing papers.]

The CHAIRMAN. You say you are cashier of the Mellon National Bank?

Mr. MITCHELL. Yes.

The CHAIRMAN. Have you the papers referred to in this subpœna?

Mr. MITCHELL. The only paper I could find was a statement of the bank account that appeared to be called for.

The CHAIRMAN. Will you furnish that statement to the committee?

Mr. MITCHELL. Yes. [Producing a paper.]

Mr. YOUNG. Is that a copy of your book?

Mr. MITCHELL. That is just a copy of the ledger account.

Mr. YOUNG. Whom is the account with?

Mr. MITCHELL. W. L. King, treasurer, Plate Association.

The CHAIRMAN. Do you know who the persons are who are credited and debited with these amounts?

Mr. MITCHELL. No. Those figures represent deposits of money and checks for money against them; and the outside column represents the balance of money from day to day that was left in the account.

The CHAIRMAN. There are no dollar marks here. I suppose the last two figures represent dollars?

Mr. MITCHELL. The last two figures represent cents.

The CHAIRMAN. The others are dollars. Do you know who are the officers of this association, Mr. Mitchell?

Mr. MITCHELL. No; I do not know any further than this.

The CHAIRMAN. What is the total amount of money that the Plate Association represents there?

Mr. MITCHELL. This statement shows that they deposited $241,833.13 in the account; and then they were credited with interest of $3,397, making a total of deposits of $246,463.47. That money was all eventually drawn out, and the account closed.

Mr. LINDABURY. Will you not let him give the dates covered by the account, so that we may have that, Mr. Chairman?

The CHAIRMAN. Yes, sir.

Mr. LINDABURY. The dates when it was opened and when it was closed.

Mr. MITCHELL. The account was opened on February 2, 1901, by a deposit, and was finally closed on January 30, 1902; and all the vouchers were from time to time returned to the person entitled to them.

The CHAIRMAN. Is that the only memorandum you have of your transactions with the Plate Association of the United States?

Mr. MITCHELL. That is all we have—just a ledger account of a deposit in the bank.

Mr. STERLING. Is that the name in which the deposit appears—"The Plate Association of the United States"?

The CHAIRMAN. No; "W. L. King, treasurer, Plate Association."

Mr. MITCHELL. This is "W. L. King, treasurer, Plate Association."

The CHAIRMAN. Is that the full name of the association that he represented as treasurer?

Mr. MITCHELL. I do not know. I do not know the association at all, further than that account.

The CHAIRMAN. Where does Mr. W. L. King reside?

Mr. MITCHELL. In Pittsburg.

The CHAIRMAN. Do you know to whom any of these sums were sent?

Mr. MITCHELL. No.

Mr. LINDABURY. You mean in the sense of being disbursed?

The CHAIRMAN. Disbursed; yes. To whom were they disbursed—do you know?

Mr. MITCHELL. No.

The CHAIRMAN. I see there are certain credits here. Certain amounts were deposited by Mr. King, were they not?

Mr. MITCHELL. By Mr. King or his representative.

The CHAIRMAN. When you checked this money out, to whom did you make it payable?

Mr. MITCHELL. The checks were drawn by Mr. King as treasurer.

The CHAIRMAN. Against this account?

Mr. MITCHELL. Against the account, to the persons to whom he wished to pay it.

The CHAIRMAN. Have you no statement or memoranda of any kind in your bank showing to whom those checks were paid?

Mr. MITCHELL. No. The checks themselves show that; but when the account was balanced the checks were all returned to the person entitled to them—in this instance, Mr. King.

The CHAIRMAN. The Mellon National Bank was simply the depository of funds in its hands by the Plate Association?

Mr. MITCHELL. In that particular account it is T. Mellon & Sons, the predecessor of the Mellon National Bank.

The CHAIRMAN. The Mellon National Bank carries this account, too?

Mr. MITCHELL. No; the account was closed before the Mellon National Bank was organized. It was organized in July, 1902, and that account was closed on T. Mellon & Sons' books on the 30th of January 1902.

The CHAIRMAN. On the 30th of January, 1902?

Mr. MITCHELL. Yes.

The CHAIRMAN. And a similar account was not kept by any Plate Association with the Mellon National Bank?

Mr. MITCHELL. There is nothing that I could find. There is nothing in existence now, that I know of.

The CHAIRMAN. Do you know whether there ever was in existence anything of that kind?

Mr. MITCHELL. No; I do not know, except that.

Mr. STERLING. Where is this bank?

Mr. MITCHELL. In Pittsburg.

Mr. STERLING. I believe it is what is known as the Mellon Bank, is it not?

Mr. MITCHELL. Yes.

Mr. STERLING. Is there more than that one?

Mr. MITCHELL. No.

Mr. STERLING. There is no other Mellon Bank, is there?

Mr. MITCHELL. No.

Mr. YOUNG. Of course, if there had been any such account, it would appear on your books?

Mr. MITCHELL. On the ledger.
Mr. YOUNG. And you could find it, could you not?
Mr. MITCHELL. Yes; that is correct.
The CHAIRMAN. This subpœna directs you to produce before this committee on the 24th day of July the accounts of the president, treasurer, commissioner, and executive committee of the Steel Plate Association of the United States. Has the committee or the commissioner any account with you?
Mr. MITCHELL. No.
The CHAIRMAN. Were you made the depository of any agreements?
Mr. MITCHELL. No; not that I ever heard of.
Mr. STERLING. Do you know, Mr. Mitchell, whether this account with the treasurer of the Plate Association is the same as the Steel Plate Association?
Mr. MITCHELL. I do not know.
Mr. STERLING. We have had some evidence here regarding the Steel Plate Association. Do you know anything about that?
Mr. MITCHELL. No.
Mr. STERLING. Is there any question about the identity of them?
The CHAIRMAN. The contract recites that this is the bank that was the depository of the funds. This is the first we have heard of King.
Mr. BEALL. Do you know a man named Temple, connected with the Plate Association?
Mr. MITCHELL. Not in connection with the Plate Association. I know a man by the name of Temple.
Mr. BEALL. W. C. Temple?
Mr. MITCHELL. I knew him, but I did not know him in connection with any association.
Mr. BEALL. Does he keep an account in your bank?
Mr. MITCHELL. I do not think he did. I do not recall.
The CHAIRMAN. Mr. Mitchell, what official position does Mr. King hold with any of the steel companies in Pittsburg?
Mr. MITCHELL. Mr. King is an officer of the Jones & Laughlin Steel Co.
The CHAIRMAN. What position does he hold—vice president, does he not?
Mr. MITCHELL. I can not recall. I think he is vice president; I think so. Formerly he was treasurer, and I think he is now vice president.
The CHAIRMAN. Does anybody else care to ask Mr. Mitchell anything?
Mr. STERLING. Do you know where this Plate Association made its deposits after it ceased to deposit with the bank of which you are cashier?
Mr. MITCHELL. No; I do not know.
Mr. STERLING. Do you know why they ceased to deposit with you?
Mr. MITCHELL. No. I did not know anything at all about the association, except just that we had the account in the bank.
Mr. LINDABURY. The account does not seem to have been a very active one. There are only four or five deposits.
(By direction of the committee, the account referred to is incorporated in the record at this point. It is as follows:)

T. Mellon & Sons' Bank. Account No. 57. W. L. King, treasurer, Plate Association.

[Copied from transfer deposit ledger No. 10, T. Mellon & Sons' Bank.]

Date.		Deposits and withdrawals.	Debit.	Credit.	Balance.
1901.					
Feb.	2	Deposit		$7,190.96	$7,190.96
	28	....do		8,073.36	15,264.32
Apr.	2	Check	$912.15		14,352.17
	3	....do	4,419.17		9,933.00
	26	....do	453.98		9,479.02
	27	....do	7,040.20		2,438.82
May	13	Deposit		85,441.35	87,880.17
	23	....do		16,342.68	104,222.85
	25	....do		2,359.38	106,582.23
June	17	....do		11,258.42	117,840.65
	28	....do		184.20	118,024.85
July	1	Check	321.64		117,703.21
	2	....do	2,359.38		115,343.83
	3	....do	4,784.61		110,559.22
	13	Deposit		585.21	111,144.43
	16	....do		11,361.50	122,505.93
	17	....do		17,570.32	140,076.25
	20	....do		10,820.25	150,896.50
Aug.	16	....do		3,279.26	154,175.76
	17	....do		4,183.78	158,359.54
	21	....do		5,643.94	164,003.48
	31	Check	124.94		163,878.54
Sept.	17	Deposit		2,435.10	166,313.64
	21	....do		204.20	166,517.84
	28	....do		578.09	167,095.93
	30	Check	5,291.61		161,804.32
Oct.	1	....do	1,447.98		160,356.34
	18	Deposit		10,481.23	170,837.57
	19	....do		718.38	171,555.95
	28	....do		295.85	171,851.80
Nov.	4	....do		11,037.64	182,889.44
	13	....do		3,976.06	186,865.50
	14	Deposit ($199,022.83)		12,157.33	199,022.83
	29	Deposit		1,883.32	200,906.15
Dec.	13	....do		4,307.96	205,214.11
	16	....do		5,958.47	211,172.58
	21	Check	4,254.85		206,917.73
1902.					
Jan.	21	....do		3,505.49	210,423.22
	22	....do		1,232.74	211,655.96
		Interest, inclusive, date		3,397.00	215,052.96
		Balance	215,052.96		
	11	Checks returned	246,463.47	246,463.47	
	23	Balance		215,052.96	215,052.96
		Check	21,194.03		193,858.93
		....do	12,634.15		181,224.78
	27	....do	7,152.57		174,072.21
		....do	56,551.79		117,520.42
	28	....do	29,593.52		87,926.90
	29	....do	30,397.70		57,529.20
	30	....do	57,529.20		
	9	Checks returned, Feb. 19, 1902	215,052.96	215,052.96	

Correct.

H. A. PHILLIPS.

TESTIMONY OF JOSEPH A. KELLY.

(The witness was duly sworn by the chairman and testified as follows:)

The CHAIRMAN. What firm do you represent, Mr. Kelly?

Mr. KELLY. The Kelly & Jones Co., Pittsburg.

The CHAIRMAN. Do you represent the Trenton Iron Co.?

Mr. KELLY. Yes, sir.

The CHAIRMAN. I will ask you to examine that entry in that book and see if it is correct. [Handing book to witness.]

Mr. KELLY. I can tell you right now that I do not know anything at all about it, without looking at it. I do not know anything about it.

The CHAIRMAN. You know about whether that entry is correct or not under "Pittsburg."

Mr. KELLY (after examining entry). Yes, sir; that is correct.

Mr. LINDABURY. What is it?

Mr. KELLY. The name is not really correct. It is "The Kelly & Jones Co." This is "Kelly & Jones Co."

Mr. YOUNG. But what is that?

Mr. LINDABURY. The notes do not show what it is.

Mr. KELLY. I do not know what the meaning of this is.

The CHAIRMAN. What position do you hold with the Kelly & Jones Co.?

Mr. KELLY. I am secretary of the Kelly & Jones Co.

The CHAIRMAN. Have you anything to do with the sales department?

Mr. KELLY. I have in the case of the goods which we manufacture ourselves, but——

The CHAIRMAN. Whom do you mean by "we"?

Mr. KELLY. The Kelly & Jones Co.

The CHAIRMAN. Do you not represent the Trenton Iron Co. there?

Mr. KELLY. Yes, sir.

The CHAIRMAN. Do you not sell their goods?

Mr. KELLY. Yes, sir.

The CHAIRMAN. In the sale of their goods, have you memoranda of prices at which they are to be sold?

Mr. KELLY. No, sir; I do not know anything about the prices. I have nothing to do with that department.

The CHAIRMAN. Nothing to do with the sales department?

Mr. KELLY. That department. You see, our business is a rather large business.

The CHAIRMAN. Oh, yes.

Mr. KELLY. And the wire-rope business is what I might call infinitesimal. There is hardly anything to it. The profits we make out of that probably would not pay the office boy.

The CHAIRMAN. Is there any other member of your firm here?

Mr. KELLY. Yes, sir; the vice president of our company is here.

The CHAIRMAN. Is he here in the room?

Mr. KELLY. Yes, sir; Mr. Jones.

The CHAIRMAN. I will ask Mr. Jones to come around here.

Mr. LINDABURY. The Trenton Iron Co. make specialties, do they not?

Mr. KELLY. I simply know that they manufacture wire rope.

Mr. YOUNG. Are you the Kelly whose name is in the title of the company?

Mr. KELLY. My father was the originator of the company. He was the president of the company. My father and Mr. Jones originated the company.

Mr. YOUNG. Do you manufacture wire rope?

Mr. KELLY. No, sir.

Mr. YOUNG. Do you manufacture plate?

Mr. KELLY. No, sir.
Mr. YOUNG. Are you manufacturers at all?
Mr. KELLY. We are manufacturers of valves and fittings for steam, gas, water, oil, and other liquids.
Mr. YOUNG. Have you a pooling agreement, too.
Mr. KELLY. Not that I know of.
Mr. YOUNG. Have you had?
Mr. KELLY. Have we had?
Mr. YOUNG. Yes.
Mr. KELLY. Not that I know of.
Mr. LINDABURY. How old are you?
Mr. KELLY. I am 88 years of age.

TESTIMONY OF HUGH MACKEAN JONES.

(The witness was duly sworn by the chairman and testified as follows:)
The CHAIRMAN. Mr. Jones, what position do you hold with the Kelly & Jones Co.? Do you represent the Trenton Iron Co.?
Mr. JONES. The Kelly & Jones Co. does, in Pittsburg.
The CHAIRMAN. What position do you hold with the Kelly & Jones Co.?
Mr. JONES. Vice president.
The CHAIRMAN. Do you sell any of their goods?
Mr. JONES. Yes, sir.
The CHAIRMAN. Do they furnish you a statement of the prices at which they are to be sold?
Mr. JONES. They used to. I have not been connected with that department of it lately. Lately, I believe, there has been no price. For quite a while there has been no restriction on the price.
The CHAIRMAN. Did they furnish you with statements of the prices as late as 1905?
Mr. JONES. I am not sure whether we were their agents in 1905.
The CHAIRMAN. I will ask you to examine this memorandum and see if you were ever furnished with a memorandum similar to that for the sale of their products?
Mr. JONES (after examining memorandum). I have never seen one.
Mr. LINDABURY. This was not produced from the Trenton Iron Works, was it?
Mr. YOUNG. No; that is the thing that came from the Waterbury Co.
Mr. STERLING. What are your duties with the Kelly & Jones Co.?
Mr. JONES. My principal duties are making estimates on pipe and power work, and getting the contract and seeing that it is properly executed.
Mr. STERLING. Do you mean getting the contract for the manufacture, or the contract for the sale of them?
Mr. JONES. We receive a blue print to figure on. I see that the estimate is made up, and take steps to send a salesman after it and get it, and see that it is properly fabricated and sent out.
Mr. STERLING. Do you not manufacture for the trade without orders?

Mr. JONES. Oh, yes. The Kelly & Jones Co. is principally a manufacturing concern, and has at Pittsburg a jobbing house. In the Pittsburg jobbing house we handle mill supplies and plumbing supplies and sell some wire rope. That is our only connection with the Trenton Iron Co. The store in Pittsburg is a very small part of our total business; and the principal business we do there is as an outlet for our own goods.

Mr. STERLING. In making prices, do you make them according to some fixed schedule that you have?

Mr. JONES. No. If we need the business we go after it hard. If we do not, we quote pretty high prices.

Mr. STERLING. You make the prices to get the business?

Mr. JONES. Yes, sir.

Mr. BEALL. How long have you been connected with this company, Mr. Jones?

Mr. JONES. Ten years.

Mr. BEALL. I did not exactly understand what line of goods you manufacture.

Mr. JONES. Elbows, tees, valves, couplings, unions—iron-pipe fittings of all kinds.

Mr. BEALL. Iron-pipe fittings?

Mr. JONES. Fittings for iron pipe; yes.

Mr. BEALL. Are there many concerns of the kind in the country manufacturing like products?

Mr. JONES. Yes; quite a number.

Mr. BEALL. Prior to 1907 did the Kelly & Jones Co. ever enter into an agreement with any other concern manufacturing like products in regard to the price?

Mr. JONES. Not to my knowledge.

Mr. BEALL. Or any agreements looking to the division of territory, assigning certain territory to each manufacturer?

Mr. JONES. No, sir.

Mr. BEALL. Or any agreements looking to the distribution of the business by percentage to the different manufacturing concerns?

Mr. JONES. There are none; no, sir.

Mr. BEALL. You do not know of any pool or association or organization of any kind through which they have attempted to regulate the price and the output or the division of business of the kind in which you are engaged?

Mr. JONES. No pool of any kind.

Mr. BEALL. You are to be congratulated.

TESTIMONY OF MR. CARLILE P. WOODALL.

(The witness was duly sworn by the chairman and testified as follows:)

The CHAIRMAN. What concern do you represent?

Mr. WOODALL. Claridge & Woodall, ship chandlers and grocers.

The CHAIRMAN. What business are you engaged in?

Mr. WOODALL. Ship chandlers and grocers.

The CHAIRMAN. What wire or wire-rope association do you represent?

Mr. WOODALL. We do not represent any. We buy it as we want it from anyone, and sell it. We buy it from anyone—not any particular person.

The CHAIRMAN. Are you located in the city of Pittsburg?
Mr. WOODALL. No; Baltimore.
Mr. LINDABURY. Do you sell this wire as grocers?
Mr. WOODALL. No; what we call ship chandlering.
The CHAIRMAN. You buy from the Trenton Iron Co., do you not?
Mr. WOODALL. Not always; no, sir.
The CHAIRMAN. Do you not buy from them at all?
Mr. WOODALL. Sometimes, and sometimes we do not. It all depends.
The CHAIRMAN. How long has it been since you bought from them?
Mr. WOODALL. I presume about a year.
The CHAIRMAN. When you bought from them did they furnish you a statement of the prices at which their products were to be sold?
Mr. WOODALL. They furnished us with a catalogue on which was the list price.
The CHAIRMAN. Does this look anything like it [exhibiting a pamphlet to the witness]?
Mr. WOODALL. No; nothing like this.
The CHAIRMAN. What did the catalogue contain?
Mr. WOODALL. It contained just the list price.
The CHAIRMAN. The list price?
Mr. WOODALL. The list price.
The CHAIRMAN. That is, the price at which you were to sell it?
Mr. WOODALL. The price at which we were to sell it, and also a discount price.
The CHAIRMAN. A discount price?
Mr. WOODALL. A discount price.
The CHAIRMAN. Suppose you did not happen to sell at that price—what would happen to you?
Mr. WOODALL. I suppose if we sold below the list price, we would lose money. It would be our loss and not theirs.
The CHAIRMAN. Would you get any more business from them?
Mr. WOODALL. If we sold at a loss? Probably we would. We would get lots of wire-rope business.
The CHAIRMAN. I mean, if you sold below the price they furnished you, would they sell you any more goods?
Mr. WOODALL. I can not answer that; I do not know. We never had that proposition to deal with.
The CHAIRMAN. Why should they indicate to you the price at which you should sell your goods, anyway?
Mr. WOODALL. Because all the wire-rope companies have the same price list—all that I have seen.
The CHAIRMAN. Oh, yes. And they wanted you to sell at the same price that the rest of them did?
Mr. WOODALL. They never said so, but we did so; that is all.
The CHAIRMAN. Why did you do that? Why did you go by a fixed price?
Mr. WOODALL. Because, if we had not, if we had gone above that price, then other companies would have gotten the business.
The CHAIRMAN. Yes; but if you had gone below it, what harm would it have done?
Mr. WOODALL. Then we would also have gotten the business.
The CHAIRMAN. Why did you not go a little below the price and get the business?

Mr. WOODALL. We were not in business to lose money.

The CHAIRMAN. Did the price at which they sold these goods to you and the price at which you sold them to the customer so nearly approach one another that you could not have gone a few cents on the ton below and yet made money?

Mr. WOODALL. Well, no.

The CHAIRMAN. What was to keep you from dropping a little and getting a lot of the other fellows' customers, like you used to do?

Mr. WOODALL. We could drop, but if we should bill it to our customers at 8 cents, and they should bill it to us at 9 cents, we would be losing 1 cent a foot. We sell it by the foot.

The CHAIRMAN. Exactly. They not only billed it to you at a certain price, but they gave you a selling price, did they not?

Mr. WOODALL. They sent us a catalogue. We were not bound down to that.

The CHAIRMAN. You were not bound to it; but the purpose of sending you that catalogue was to give you the price you were to sell by, was it not?

Mr. WOODALL. To give us the price we were to sell by.

The CHAIRMAN. Was there not a pretty fair margin between the price you paid and the price you sold by?

Mr. WOODALL. The profit in wire rope was very small; and that is one of the reasons why we gave it up and just buy it as we get orders for it.

The CHAIRMAN. And there is very little profit?

Mr. WOODALL. Very little profit.

The CHAIRMAN. And they made you a certain price?

Mr. WOODALL. They sent us the catalogue.

The CHAIRMAN. Yes; and then they sent you a catalogue to sell by?

Mr. WOODALL. No; they only sent us one catalogue. That was supposed to be the selling price—the list price.

Mr. LINDABURY. You got a discount off of that?

Mr. WOODALL. We got a discount off.

Mr. LINDABURY. I mean, you bought at a discount?

Mr. WOODALL. We bought at that price less discount.

The CHAIRMAN. By paying cash?

Mr. WOODALL. If we paid cash, of course we would get a little consideration—probably 1 per cent for 10 days, or something like that, I believe.

Mr. MCGILLICUDDY. How long has that been in operation?

Mr. WOODALL. Ever since we have been in business.

Mr. MCGILLICUDDY. How long is that?

Mr. WOODALL. About 12 years.

Mr. MCGILLICUDDY. How frequently do you get these catalogues fixing the prices that you shall sell by?

Mr. WOODALL. We are liable to get one any time. We are liable to get one this month or we may not get one for two or three months and we may not get one for a year.

Mr. MCGILLICUDDY. Do these different catalogue prices vary—the selling prices that are put down for you?

Mr. WOODALL. No; not very often, unless there is an advance in the steel market or the iron market. Then they have to make their selling prices according to that advance.

Mr. McGILLICUDDY. When you get a catalogue of those prices you follow the catalogue until you get a new one?

Mr. WOODALL. Generally; yes.

Mr. McGILLICUDDY. You do absolutely, do you not?

Mr. WOODALL. Sometimes we might hear on the street that wire rope has gone down, or something of that sort. A man might come to us and say: "You are charging us too much for rope; what is the trouble? I have a new catalogue here," or something of that kind.

Mr. McGILLICUDDY. The usual course of your busines is to follow the selling price that is laid down in the catalogue until you get another catalogue fixing a different price?

Mr. WOODALL. That is exactly what we do, until we hear differently.

Mr. McGILLICUDDY. Then you do not fix the selling price of your products at all, do you?

Mr. WOODALL. No.

Mr. McGILLICUDDY. They are fixed by this catalogue?

Mr. WOODALL. They are only fixed by the list price.

Mr. McGILLICUDDY. That is, the list price in the catalogue?

Mr. WOODALL. The list price in the catalogue.

Mr. McGILLICUDDY. Why do you not fix your own selling price of your own goods?

Mr. WOODALL. Because everyone sells by the list price given in the catalogue that is furnished.

Mr. McGILLICUDDY. You all agree to that?

Mr. WOODALL. Generally, we all agree.

Mr. McGILLICUDDY. Generally? You all do, do you not, in that line of business?

Mr. WOODALL. To my knowledge and belief.

Mr. McGILLICUDDY. That is your understanding of it?

Mr. WOODALL. Yes; that is my understanding of it.

Mr. McGILLICUDDY. That you follow the catalogue, and all the rest of the people who sell similar goods follow the catalogue price?

Mr. WOODALL. As far as I know.

Mr. McGILLICUDDY. There is that understanding between you all?

Mr. WOODALL. That is the understanding; yes.

Mr. YOUNG. I should like to understand a little better this arrangement between you and the Trenton Iron Co. Do you buy the goods outright from them and then sell them, or do you act as sales agent, getting a commission which is represented by a discount?

Mr. WOODALL. No; we buy them outright, the same as we buy a barrel of flour.

Mr. YOUNG. At what price is it billed to you?

Mr. WOODALL. At the list price.

Mr. YOUNG. At the list price?

Mr. WOODALL. Yes.

Mr. YOUNG. It is billed to you at the same price that you sell it, is it?

Mr. WOODALL. At the list price; yes; but we get a discount. Of course they allow us a discount.

Mr. YOUNG. Yes. That is what I am getting at. They bill it to you at their list price?

Mr. WOODALL. Yes.

Mr. YOUNG. And then they give you a discount off?

Mr. WOODALL. A discount off.

Mr. YOUNG. Do you keep this rope on hand or do you simply order it from them when you get an order?

Mr. WOODALL. If we can not get it in the city of Baltimore, we order it from them; but we try Baltimore first, among our people there—our competitors, you might say.

Mr. YOUNG. But do you keep a stock on hand, or, when you get an order, do you simply send it in and get your rope?

Mr. WOODALL. That is it; when we get an order we try to get it in Baltimore. We do not keep it on hand. It does not pay.

Mr. YOUNG. You do not keep it on hand at all?

Mr. WOODALL. No. The insurance eats up the profits.

Mr. YOUNG. And they bill it to you at the list price; you sell it at the list price; and you get a discount?

Mr. WOODALL. We get a discount. That is it exactly.

Mr. YOUNG. If you sold it below the list price, you would make just so much less profit?

Mr. WOODALL. Make so much less? Why, we would probably lose. If we bought it at 9 cents and we sold it at 8, we would be out just 1 cent a foot. It is sold by the foot.

Mr. YOUNG. In answer to Mr. McGillicuddy you said something about an agreement. Is there any agreement between these sellers of wire rope that they shall all sell it at the same price?

Mr. WOODALL. Oh, no!—no agreement; no. It is only a form that they have. That is all.

Mr. YOUNG. They simply send you the list price, and they bill you the goods at that price?

Mr. WOODALL. Yes.

Mr. YOUNG. And then it is a matter of discretion with you whether you will sell at the list or some other price?

Mr. WOODALL. That is all. It is just the same as if we bought a barrel of flour for $4.50 and sold it for $5—there would be a profit of 50 cents a barrel. It is just the same.

Mr. YOUNG. Is there any agreement between you and the Trenton people that you shall sell it at the list price?

Mr. WOODALL. No; no agreement. We can sell it for 3 cents below the list price if we want to, if we choose to lose.

Mr. LINDABURY. Will you ask the witness if he was ever requested by the Trenton Iron Co., or anybody on its behalf, to conform to that list price, Mr. Young?

Mr. YOUNG. Yes; I will ask that question.

Mr. WOODALL. No; we were not. We just have these catalogues sent to us as the cost price.

Mr. LINDABURY. Those are what you buy by?

Mr. WOODALL. What we buy by, yes; less the discount.

Mr. STERLING. Has it ever been suggested to you that if you did not sell at that particular price you might not be able to get goods?

Mr. WOODALL. No, sir; not to my knowledge.

Mr. STERLING. Are you the member of your firm that has charge of that phase of the business?

Mr. WOODALL. Why, yes. I am the sole proprietor.

Mr. STERLING. Are you?

Mr. WOODALL. Yes, sir.

Mr. STERLING. If there was anything of that kind, of course you would know it?

Mr. WOODALL. I would know it; yes.
Mr. GARDNER. What discount do you get from the Trenton Iron Works?
Mr. WOODALL. It has been so long since we gave them an order that I do not remember now.
Mr. GARDNER. Is it up in the 70 and 80 per cents, the way it is in the plumbing trade, for instance?
Mr. WOODALL. Oh, no; I should say about 40 and 5.
Mr. GARDNER. Forty and five?
Mr. WOODALL. Yes.
Mr. GARDNER. You, in your turn, when you sell, allow discounts?
Mr. WOODALL. Oh, yes.
Mr. GARDNER. To the trade, and for cash, and every other discount; do you not?
Mr. WOODALL. Yes.
Mr. GARDNER. It is pretty hard for the retailer to know what the real price of the goods is, is it not?
Mr. WOODALL. A dealer generally knows.
Mr. GARDNER. You mean the retail purchaser, not the retail dealer?
Mr. WOODALL. I mean the retailer; yes—well, not always. I will say he does not always know. If we get 10 per cent out of wire rope we are lucky.
Mr. GARDNER. In reply to Mr. Young, I rather understood you to say that you did not place any orders for steel rope until you knew where the customer was—that is, that you do not buy it outright to sell again.
Mr. WOODALL. Buy it outright, you say?
Mr. GARDNER. Yes.
Mr. WOODALL. Oh, yes; we buy it outright. No; we have got to have a customer first, as I say.
Mr. GARDNER. That is to say, if I wanted to rig a ship, or something or other, and I came into your store—I presume it is used for the rigging of ships?
Mr. WOODALL. Yes; that is right.
Mr. GARDNER. Shrouds, and that sort of thing?
Mr. WOODALL. Yes.
Mr. GARDNER. If I came into your store you would not have it all ready for me, but you would quote me a price, and then you would look around in Baltimore and elsewhere until you found a price at which you could buy it and it would yield you a profit. Is that it?
Mr. WOODALL. That is it exactly. Sometimes we have a large order; a captain will come in and he will ask for a catalogue, and we will give him one of the catalogues, with the prices in it; and we always tell him: "Now, Captain, there is the list price."
Mr. GARDNER. Yes; but every customer knows that there are a lot of discounts off that?
Mr. WOODALL. Oh, generally; yes.
Mr. GARDNER. As a matter of fact, everybody who has bought any knows that?
Mr. WOODALL. It is an understood fact that there is a discount off.
Mr. GARDNER. Several discounts, are there not?
Mr. WOODALL. What do you mean by "several"?
Mr. GARDNER. For instance, you said "40 and 5."

Mr. WOODALL. Yes.

Mr. GARDNER. I do not know what discounts you allow; but you may allow a discount for cash, and you may allow a discount to the trade; you may have a series of discounts, the way dealers in plumbing supplies have their various discounts.

Mr. WOODALL. Yes.

Mr. GARDNER. Suppose you make your price with me, and it is less than the list price with the discounts that are recognized by the Trenton Iron Co. You said a minute ago that you could not bill goods to me at 8 cents when you were paying 9 cents for them.

Mr. WOODALL. Yes.

Mr. GARDNER. That is perfectly obvious. What I wanted to know was this: Suppose you paid 9 cents for them, and you billed them to me at 9¼, when it was generally supposed, judging by the list price, that you would bill them to me at 9½—what would you be afraid of? Would you be afraid that these concerns that manufacture steel rope would not sell you any more?

Mr. WOODALL. No; I would not be afraid of them at all. I would be afraid of the man that I sold it to—the customer. I would not take them into consideration at all.

Mr. GARDNER. Why would you be afraid of your customer?

Mr. WOODALL. I know that just as soon as they saw that the list price was 9 cents, and I sold it to them at 9¼, they would not deal with us any more.

Mr. GARDNER. But suppose you were selling it at a little below the list price to them——

Mr. WOODALL. Yes.

Mr. GARDNER (continuing). The price still being enough to give you a margin of profit. Would you be afraid that the Trenton Iron Co. would not supply you any more goods, or would you fear that your rivals in business might do the same thing—in other words, that "two might play at the same game"?

Mr. WOODALL. No; I would not. I would not consider them at all, because I would not care.

Mr. GARDNER. That is, you might get it from somebody else the next time?

Mr. WOODALL. Well, yes; I can get it in Baltimore.

Mr. GARDNER. But, I suppose, what you are afraid of is that "two can play at that game," and that if you reduce your price, your rivals in business will all reduce their prices?

Mr. WOODALL. Well, I do not know; I have never been up against that proposition. I have never done such a thing as that—gone below the list.

Mr. GARDNER. Did you not ever think of reducing prices—shading prices in order to get more business?

Mr. WOODALL. Not from the list. That is the same as cotton duck. Cotton duck also has a list price, less discount. You can reduce your discount.

Mr. GARDNER. When you see an opportunity to make a good sale, why will you not shade your price?

Mr. WOODALL. You might shade your discount, but not your list price.

Mr. GARDNER. Why would you not shade your discount, then? Perhaps you do shade your discount?

Mr. LINDABURY. That is, increase your discount.

Mr. WOODALL. Well, no; make the discount lower. Yes; that would mean to increase it—make it cheaper, of course.

Mr. GARDNER. Do you do that?

Mr. WOODALL. To some people. It all depends upon what bill of goods they might buy. If a man comes along out of the transient trade, and he comes in there and wants a piece of rope, we are not going to give it to him at the same price that we would the man who is fitting out a ship to go to San Francisco—that gives us a bill of $3,000 for a voyage of 150 days. This other man, perhaps, is going to use it for a clothesline.

Mr. GARDNER. You do not have to explain that. That is a perfectly proper thing. But what we want to get at is this—you can see it clearly enough. We want to know whether these companies that manufacture steel rope have a threat in the background that if you increase your discount—which is the same thing as shading your price—they will not give you any more goods? That is just what we want to know.

Mr. WOODALL. We have never been confronted with such a thing. I do not know; I could not answer that.

Mr. GARDNER. Do they generally know it if you increase your discount?

Mr. WOODALL. Oh, no; they do not know.

Mr. GARDNER. If they did know, would they care?

Mr. WOODALL. I could not say; I could not answer that. I do not know; I could not say.

Mr. MCGILLICUDDY. As a matter of fact, you do not sell below that price list that they furnish you, do you?

Mr. WOODALL. We have not done so to my knowledge.

Mr. MCGILLICUDDY. And that covers a period of how many years, you say?

Mr. WOODALL. Oh, I guess about 12 years—a little over 12.

Mr. MCGILLICUDDY. And the reason you follow that price list which they give to you is because it is your understanding that everybody in the trade follows it?

Mr. WOODALL. That is our understanding; yes.

Mr. MCGILLICUDDY. You do not want to sell below what is understood to be the trade price for everybody, given out by the Trenton Co.?

Mr. WOODALL. No; almost everyone has a price, although they do not get out a printed list.

Mr. MCGILLICUDDY. I know; but this company does get out a printed list?

Mr. WOODALL. Yes.

Mr. MCGILLICUDDY. For all of its customers?

Mr. WOODALL. Yes.

Mr. MCGILLICUDDY. And your understanding is that you all follow that price list in your selling which they set out for you?

Mr. WOODALL. That is really a guide to us.

Mr. MCGILLICUDDY. It is the price you follow, is it not?

Mr. WOODALL. Generally, yes.

Mr. LINDABURY. He does not understand you. What he means is that it is the basis of his own discount.

Mr. McGILLICUDDY. I am not talking now about the discount. Of course you have a right to give any discount you have a mind to. But do you understand that you are not to go below that price list? Is not that true, and that everybody else is not to go below it?

Mr. WOODALL. We could if we wanted to.

Mr. McGILLICUDDY. I know, but you have never wanted to in all these 10 or 12 years, have you?

Mr. WOODALL. It is such a small amount in our business that we have never paid any attention to it. We only sell about a hundred feet of wire in about a month or two.

Mr. GARDNER. Did you not just testify that you did, by increasing your discount, go below that price list? If the price of a thing is 9 cents and there is a discount on it of 10 or 15 or 20 per cent, the moment you make that 12½ or 17½ or 22½ you have gone below your price list?

Mr. WOODALL. Not the price list; no. We have reduced the price, but not the price list.

Mr. GARDNER. You do not reduce the price list, but reduce the price?

Mr. WOODALL. I reduce the price, but not the price list.

Mr. LINDABURY. That is just what I thought was the explanation of the whole misunderstanding between Mr. McGillicuddy and the witness. He stands by the price list, but he gives such discounts off of it as he thinks are proper.

Mr. WOODALL. That is it exactly.

Mr. LINDABURY. Yes.

Mr. McGILLICUDDY. But he has said here repeatedly that neither he nor anybody else sells below the specified price list.

Mr. WOODALL. I say not to my knowledge.

Mr. McGILLICUDDY. Of course you are talking about what you know about it.

Mr. WOODALL. Yes; not to my knowledge.

Mr. STERLING. Let us put it this way: Do all of you dealers give the same discount off of that price list to your customers?

Mr. WOODALL. I could not say as to that.

Mr. STERLING. Or get the same discount?

Mr. WOODALL. I can not answer that.

Mr. LINDABURY. Do you know what any other dealer gives?

Mr. WOODALL. Any other dealer who sells to us?

Mr. LINDABURY. No; I mean, to his customers?

Mr. WOODALL. No; I could not answer that.

Mr. GARDNER. Have you not just testified that you yourself gave different discounts to different customers?

Mr. WOODALL. I said that when a transient trader comes along; yes. We give different discounts.

Mr. GARDNER. It is perfectly obvious that you may say the nominal price is $10,000; the actual price depends entirely upon what discount you give.

Mr. WOODALL. Yes.

The CHAIRMAN. If some man comes along who is going to Hongkong or San Francisco, and is rigging out a ship, and nobody will ever know anything about it, you cut below the price, do you not? Is not that true?

Mr. WOODALL. I could not answer that until I got to the particular case.

The CHAIRMAN. But where you are selling to people there in Baltimore, where the price you make is known, you follow the catalogue? Is not that true?

Mr. WOODALL. We follow the catalogue for all of them. As a general rule the people going to San Francisco know the price list and the discount.

Mr. GARDNER. The chairman is rather implying that your extra discounts are secret.

Mr. WOODALL. Yes; as far as we are concerned; we are not going out and telling people what we pay for goods.

Mr. GARDNER. That is to say, if I am a customer, you do not care whether I come from Baltimore or whether I come from San Francisco; you will give me a bigger discount if I am a better customer?

Mr. WOODALL. Not always; no. As I say, the margin on wire rope is so small in our business that if we get 10 per cent we are lucky, considering our insurance and so on.

Mr. LINDABURY. You have to get the most you can from your customer?

Mr. WOODALL. Not always. We do not aim to take advantage of our customers.

Mr. GARDNER. But, as a matter of fact, there is nothing whatever improper in the transaction of your giving a better price to wholesale dealers than to retail dealers. What we want to get at is whether the Trenton Iron Co. forces you to sell to your customers at a particular price. We all understand that they furnish a catalogue. The question is whether, if you gave larger discounts than the standard allowance, you would get yourself into trouble with the Trenton Iron Co.?

Mr. WOODALL. I do not know. We have never been up against that proposition. I could not say. I could not answer that question, because our business in that line is so small.

Mr. STERLING. Have you had any intimation or knowledge from any source that you would get into trouble?

Mr. WOODALL. No; we have never been so advised.

Mr. YOUNG. In this catalogue that is furnished you by the Trenton Iron Works, do they attempt to prescribe the discount you are permitted to give?

Mr. WOODALL. That is, do they stipulate the discount?

Mr. YOUNG. Yes. Is there anything in the catalogue regulating the discount which you give?

Mr. WOODALL. No. They send you a catalogue whenever you write for one. They also send them of their own accord; but then, again, they will also send you a discount sheet with the catalogue.

Mr. YOUNG. That sheet shows the discount that you are entitled to as a purchaser from them?

Mr. WOODALL. Yes.

Mr. YOUNG. Is there anything in the catalogue or anything else that they send you that limits the discount that you can allow one of your customers?

Mr. WOODALL. I have never examined the matter that closely. I could not say.

Mr. GARDNER. As a matter of practice, have you ever followed the discount sheet which they furnish you for the purposes of your sales?

Mr. WOODALL. When they quote us a discount of 45, do you mean do we give off accordingly?

Mr. GARDNER. I am not talking about what you pay them; but do they say: "You shall allow this and that discount to your purchasers, and no more and no less?"

Mr. WOODALL. No. They just send us on a sheet that says "steel wire, so much;" "galvanized wire, so much"; "cast steel," and so on, "so much." That is all it says.

Mr. GARDNER. And they do not prescribe what discount you are to allow to your customers?

Mr. WOODALL. No.

Mr. GARDNER. As a matter of fact, what is the average discount you allow to your customers on the goods you sell?

Mr. WOODALL. Do you mean the profit?

Mr. GARDNER. No; the discount. Suppose I came in and wanted to buy wire rope, 100 yards or 10,000 yards, or anything else—what discount would I get from you?

Mr. WOODALL. We generally give you 30 off or 40 off.

Mr. GARDNER. Thirty per cent?

Mr. WOODALL. Yes.

Mr. GARDNER. But the Trenton Iron Co. does not say to you that you shall give 30 per cent discount, no more and no less?

Mr. WOODALL. No.

Mr. GARDNER. You might give me 5?

Mr. WOODALL. I might give you 5; yes.

Mr. GARDNER. You might give me 35, if you were not going to lose money?

Mr. WOODALL. Yes.

Mr. GARDNER. In other words, the price at which you sell to the retailer is a matter entirely in your hands?

Mr. WOODALL. Excuse me—you know we are not agents for the Trenton Iron Co. We buy that just the same as we buy a bill of goods from anybody else, and sell it at our own price that we want to sell at.

Mr. GARDNER. That is what I want to know—whether you are selling at your price or theirs?

Mr. WOODALL. We conform to their catalogue.

Mr. GARDNER. And you give as big or as little a discount as you can make a trade for?

Mr. WOODALL. That is it exactly.

Mr. YOUNG. Do any of these other companies that you buy from furnish you a price list and catalogue?

Mr. WOODALL. They would if we asked them to. Do you mean the Baltimore concerns?

Mr. YOUNG. Any concerns that you buy from. Do you buy from any other manufacturers besides the Trenton Iron Works?

Mr. WOODALL. No. They are about the only ones we have any dealings with, when we have any at all.

Mr. GARDNER. What is the reason of this custom, not only in your trade, but in various trades. I am particularly familiar with it in the case of steam fittings and that sort of thing, where the list price is enormous and the discounts sometimes run as high as 90 per cent. What is the reason of doing that? Is it to deceive the retail customer?

Mr. WOODALL. No; I will tell you, as far as my judgment goes. They get out a catalogue, and they make the discount to meet the

price. If they had to change their catalogues every time the price changed, they would be changing their catalogues every week; and some concerns get out catalogues that probably cost them $5. They can not change their catalogues every week to meet the conditions. They have to change the discounts to meet the price. That is the reason the discounts are so high.

Mr. GARDNER. I never saw a plumber's catalogue where the prices listed were much less than three times as great as a man could get the articles for if he only knew what discounts to ask for. They are perfectly stupendous.

Mr. WOODALL. I know it. As I say, you will see enormous discounts given to meet the price. If you had to get out a new catalogue every time the list price changed, the expense would be something enormous. For instance, you might get out a catalogue to-day, and to-morrow you would have to get out another one.

Mr. GARDNER. For example, if you try to buy a tee for fitting an angle to water pipes, or whatever you call it, you will find a list price in the catalogue which is three or four times what the actual price is, even to an ignoramus like me, who does not know what questions to ask. They voluntarily tell me that the discount is 60 or 70 or 80 per cent. Then, if I ask the right questions, I will find that there is 40 per cent discount on the balance, and 5 per cent discount on that balance. What is the reason for putting those prices in catalogues so far above any possible variation of the price which would require them to get out a new catalogue all the time?

Mr. WOODALL. As I said before, that is the only way they have got to adjust the price. You would probably buy a tee for 40 cents, less 60, 40, and 5. That would probably bring it down to 17 cents, or something like that.

Mr. GARDNER. The list price is 60?

Mr. WOODALL. Yes; the list price is 60.

Mr. GARDNER. I have noticed that, but in these catalogues I have also seen the discounts printed.

Mr. WOODALL. The discounts?

Mr. GARDNER. The discounts, for instance, against a particular article would be given as 40 and 5. Those figures would be printed in the margin. Then I will find that there are a lot of other discounts that I do not know anything about.

Mr. WOODALL. That is printed in the catalogue?

Mr. GARDNER. Yes; then there are other discounts that you can get by demanding them.

Mr. WOODALL. As a general rule, they do not print them in the catalogue. They generally send you a separate sheet, and when they change the price all they have got to do is to change the discount sheet. The expense of getting out a catalogue every time the list price changed would be something enormous.

Mr. GARDNER. I quite understand that, and I can understand the necessity for a small percentage of variation. But what I have not gotten through my head is why these enormous discounts are given from the prices listed in the catalogues, unless the prices are listed in that way for the purpose of misleading the retail customer.

Mr. WOODALL. I could not answer that.

Mr. STERLING. I am sure you never heard of a contract in restraint of trade?

Mr. WOODALL. A contract?
Mr. STERLING. Yes.
Mr. WOODALL. How do you mean?
Mr. GARDNER. A contract in restraint of trade, he said.
Mr. WOODALL. Oh, I do not know.

TESTIMONY OF J. R. VAN ORMER—Resumed.

(Mr. Van Ormer then resumed the witness stand.)

The CHAIRMAN. Mr. Van Ormer, referring to this report that you say the Lukens & Carnes Steel Co. would send monthly to this commissioner, do you know whether or not that was made on any particular form? What I am driving at is this: Did not that commissioner furnish you with the particular form of the report you should make, and the form of the affidavit?

Mr. VAN ORMER. I think so.

The CHAIRMAN. And that commissioner was Mr. Temple?

Mr. VAN ORMER. Yes.

The CHAIRMAN. You have given his full name, I believe—W. C. Temple?

Mr. VAN ORMER. Yes.

The CHAIRMAN. At the time that contract was printed, there was an understanding, was there not, as to who should be the officers of that organization?

Mr. VAN ORMER. I do not know.

The CHAIRMAN. Do you know who was to be president?

Mr. VAN ORMER. No, sir.

The CHAIRMAN. Do you know who was to be treasurer?

Mr. VAN ORMER. No, sir.

The CHAIRMAN. Do you know a Mr. King?

Mr. VAN ORMER. Mentioned here this afternoon?

The CHAIRMAN. Yes.

Mr. VAN ORMER. Yes.

The CHAIRMAN. He was connected with what company?

Mr. VAN ORMER. You have that—the Jones & Laughlin Steel Co.

The CHAIRMAN. Do you know whether, at the time that contract was printed, it was understood that Mr. King was to be the treasurer of the association?

Mr. VAN ORMER. I have no knowledge at all of that.

The CHAIRMAN. Do you know whether any sort of reports were made to Mr. King, or any communications had between your company and Mr. King, either way?

Mr. VAN ORMER. I am not competent to answer that question.

The CHAIRMAN. You do not know?

Mr. VAN ORMER. No.

The CHAIRMAN. But this commissioner did furnish the form of report that you were to make each month, and the form of affidavit?

Mr. VAN ORMER. Yes.

The CHAIRMAN. It says here: "This form of report and oath or affirmation as to its correctness shall be furnished by the commissioner, and shall include a statement of the rolling production for each month." Did that report that you made contain a statement of the rolling production of your concern for each month?

Mr. VAN ORMER. Yes.

The CHAIRMAN. Since the adjournment of the committee before lunch, have you had an opportunity to go over that printed report, or a copy of it?

Mr. VAN ORMER. No, sir.

The CHAIRMAN. I meant a copy of the printed contract.

Mr. VAN ORMER. One was lying here on the table this morning—no, sir.

The CHAIRMAN. You have not gone over that any more?

Mr. VAN ORMER. No.

The CHAIRMAN. In the conduct of this association, whatever it may have been, was any allowance made to the Lukens Iron & Steel Co. for the orders that it had already taken?

Mr. VAN ORMER. I can not answer that question.

Mr. LINDABURY. Mr. Chairman, these witnesses who have been examined desire to know if they are excused?

The CHAIRMAN. They are excused.

I notice, Mr. Van Ormer, that the fifth clause of that printed contract says:

Whereas it has been agreed by and between all the members of this association to exempt certain tonnage to cover orders already taken, it is agreed that such exemption shall be made as follows:

Then the Lukens Iron & Steel Co.'s allowance is given as 5,778 tons.

Mr. VAN ORMER. I am not familiar with that.

The CHAIRMAN. You do not know whether that allowance was made or not?

Mr. VAN ORMER. No.

The CHAIRMAN. Did the Lukens Iron & Steel Co. do any business on the Pacific coast?

Mr. VAN ORMER. At that time, not very much.

The CHAIRMAN. Did it do any foreign business?

Mr. VAN ORMER. Not worth mentioning.

The CHAIRMAN. As a matter of fact, while this agreement, or whatever it was, was in operation, do you know whether this business that was done on the Pacific coast, and any foreign business that the Lukens Iron & Steel Co. did, was reported to the commissioner, together with the bills of lading, or other evidence of exportation?

Mr. VAN ORMER. More than likely.

Mr. LINDABURY. Do you know?

Mr. VAN ORMER. No; I do not know. I have not any reports here. I am just telling you now what I know.

Mr. BEALL. Is that your recollection of the method that was pursued by your company in connection with the business done by it on the Pacific coast and foreign?

Mr. VAN ORMER. I can not recall sufficiently accurately to answer that question.

Mr. BEALL. Do you know whether the reports made as to this Pacific coast business and foreign business were treated the same way with reports made as to other business?

Mr. VAN ORMER. Will you kindly put that question somewhat more plainly? I can not understand the question.

Mr. BEALL. I understand that you made monthly reports to the commissioner?

Mr. VAN ORMER. I would have to have a——

Mr. BEALL. I am not asking you now as to what was in those reports. You made monthly reports to the commissioner. These other companies made monthly reports to the commissioner. The commissioner would send you copies of their statements, and would send to them copies of your statements, as to the ordinary business done by the different members of the association. But did the commissioner send you statements as to the foreign business done by these other members of the association?

Mr. VAN ORMER. Those things did not come under my observation.

Mr. BEALL. You have no recollection upon that subject. While this agreement was in effect, do you know whether or not there were any complaints made against any members of it for violating any of the provisions of the agreement?

Mr. VAN ORMER. Which agreement do you mean?

Mr. BEALL. This understanding, as a result of which you made monthly reports to this commissioner?

Mr. VAN ORMER. I can not recall any; no.

Mr. BEALL. You do not know whether any complaints were made or not?

Mr. VAN ORMER. I can not recall any.

Mr. BEALL. Refreshing your recollection, the seventh section of this printed agreement says:

Upon receiving the written requests of two members of the association, stating the object, the commissioner shall, upon the approval of the executive committee, call a meeting of the parties to this agreement to be held——

It says here—

From five days from date of receiving such written request.

Mr. VAN ORMER. I do not know anything about that.

Mr. BEALL. Do you know of any instances in which representatives of these different concerns met together for any purpose in response to a request from the executive committee or any other authority?

Mr. VAN ORMER. The manufacturers got together simetimes; yes.

Mr. BEALL. Representatives of these different manufacturers got together?

Mr. VAN ORMER. I can not say just exactly those. Please do not put words in my mouth.

Mr. BEALL. I am not seeking to put words in your mouth; I am seeking to get words out of your mouth.

Mr. VAN ORMER. All right.

Mr. BEALL (reading):

Carnegie Steel Co., Jones & Laughlin, Illinois Steel Co., Crucible Steel Co., Otis Steel Co., Tidewater Steel Co., Lukens Iron & Steel Co., North Bros. Co., Central Iron & Steel Co., American Steel & Wire Co., and Glasgow Iron Co.—

Do you know of any instances after you started to make this agreement that was printed, where they were recalled and burned, in which representatives of these different companies came together?

Mr. VAN ORMER. I am not competent to answer that question.

Mr. BEALL. You know whether you recollect it or not.

Mr. VAN ORMER. I am not going to testify here based on recollection.

Mr. BEALL. How would you testify?

Mr. VAN ORMER. From knowledge.

Mr. BEALL. Do you have any knowledge on the subject?
Mr. VAN ORMER. No. You say "at any time"?
Mr. BEALL. This contract was printed about November, 1900, was it not?
Mr. VAN ORMER. I should not say that the plate manufacturers never got together.
Mr. BEALL. I am asking you if they did in the latter part of 1900 or during the year 1901?
Mr. VAN ORMER. I say they may have. I was not there. I do not know.
Mr. BEALL. Where were you?
Mr. VAN ORMER. I was home, if there was any.
Mr. BEALL. Were there any meetings in your town—Coltsville?
Mr. VAN ORMER. Not that I know of.
Mr. BEALL. Do you know of a representative of your company going to any other meeting?
Mr. VAN ORMER. He may have done so.
Mr. BEALL. Leaving there, saying that he was going there?
Mr. VAN ORMER. He may have.
Mr. BEALL. I am asking you if you remember it.
Mr. VAN ORMER. No; I do not recall it.
Mr. BEALL. Did you hear any talk there in the office about anybody representing your concern having to attend one of these meetings?
Mr. VAN ORMER. I am not certain now whether I did or not.
Mr. BEALL. Did the Lukens Iron & Steel Co. ever make any complaint that other manufacturers of iron and steel were proceeding in violation of the terms of any agreement?
Mr. VAN ORMER. I can not recall.
Mr. BEALL. You do not remember?
Mr. VAN ORMER. No, sir.
Mr. BEALL. At the time that this document was printed—and was afterwards destroyed—you knew about there being a supplemental agreement; an agreement referred to in that document as agreement "B"?
Mr. VAN ORMER. No, sir.
Mr. BEALL. Do you know whether there was any agreement covering the scale of prices?
Mr. VAN ORMER. The only thing that I know about is the printed copy that I saw here this morning.
Mr. BEALL. It says, "All sales between parties to this agreement shall be at full prices, as provided in agreement 'B.'" Do you know what that referred to?
Mr. VAN ORMER. No, sir.
Mr. BEALL. Did you ever see a copy of agreement "B"?
Mr. VAN ORMER. Not to the best of my knowledge.
Mr. BEALL. Do you know why that was not printed?
Mr. VAN ORMER. No, sir.
Mr. BEALL. Do you know whether there was any such agreement put into typewriting or not?
Mr. VAN ORMER. I do not.
Mr. BEALL. Was there ever any discussion in your office about the inadvisability of having a printed agreement; that it was preferable to have simply typewritten copies?
Mr. VAN ORMER. No, sir.

Mr. BEALL. You do not recall that?
Mr. VAN ORMER. No, sir; I do not recall that.
Mr. BEALL. You do not recall the circumstance of going to the printer's at all?
Mr. VAN ORMER. Not more than to the extent I mentioned this morning. I doubt very much whether I was there, although I may have been. My recollection is not clear either way.
Mr. BEALL. Why would anybody go there, why would anybody representing the Lukens Iron & Steel Co. go to the printing office?
Mr. VAN ORMER. You mean in that conection?
Mr. BEALL. Yes, sir.
Mr. VAN ORMER. To get them, that would be it.
Mr. BEALL. You have had two or three hours in which to refresh your recollection. Do you not remember that somebody repserenting your company about the time you were destroying all these other agreements went to the printing office to be sure that there was no agreement there?
Mr. VAN ORMER. That was covered in the testimony this morning. I may have been the person who went to the printing office.
Mr. BEALL. You thought you got them all when they delivered them?
Mr. VAN ORMER. Yes, sir.
Mr. BEALL. And did you go back to make sure?
Mr. VAN ORMER. No, sir.
Mr. BEALL. At the time did you think there was a copy of the agreement left at the printing office?
Mr. VAN ORMER. No, sir; there would not be any occasion to.
Mr. BEALL. You do not have any distinct recollection of going to the printing office at all?
Mr. VAN ORMER. I may have gone.
Mr. BEALL. You have no distinct recollection?
Mr. VAN ORMER. No, sir. I am not certain that I went there at all. I will not say I did go.
Mr. BEALL. You will not say you did?
Mr. VAN ORMER. No, sir.
Mr. BEALL. If your recollection is so hazy and indistinct about that, how can you say what you did or did not do, or did or did not say, in the event that you did go?
Mr. VAN ORMER. You will give me credit for claiming to do certain things in a certain way. If I were to witness your signature to a letter, it would only be after you had signed that I would sign it. Now, it would be absolutely nonsensical and unreasonable for me to make the kind of a remark that Mr. Kauffman attributed to me this morning in his testimony. It would be simply impossible.
Mr. BEALL. There was a fear of the law at the time you destroyed this document?
Mr. VAN ORMER. I would have kept quiet, anyhow.
Mr. BEALL. Why?
Mr. VAN ORMER. I would not have made that remark, anyhow. It is not my custom to speak of anything of that sort, even if not important, in a casual way.
Mr. BEALL. At the time you burned the documents there was a fear of the law?
Mr. VAN ORMER. No; I am not prepared to answer that question. do not know.

Mr. BEALL. Did they not tell you that it was illegal?
Mr. VAN ORMER. I do not know.
Mr. BEALL. Did you not say this morning that you destroyed them because you were advised that it was an illegal agreement?
Mr. VAN ORMER. I did not say that we were advised.
Mr. BEALL. How did you get the information?
Mr. VAN ORMER. I did not get it.
Mr. BEALL. Did you think it was illegal?
Mr. VAN ORMER. I am unable to answer that question; I do not know.
Mr. BEALL. Did they not say that it was illegal?
Mr. VAN ORMER. I do not know.
Mr. BEALL. Did you hear anybody say so?
Mr. VAN ORMER. No; I believe not.
Mr. BEALL. You do not know whether you thought it was illegal?
Mr. VAN ORMER. I may have.
Mr. BEALL. Why did you burn them?
Mr. VAN ORMER. Just because we did not want them lying around.
Mr. BEALL. Why did you not want them lying around?
Mr. VAN ORMER. We did not want them; I do not just know why.
Mr. BEALL. You had a wastebasket there?
Mr. VAN ORMER. Yes, sir.
Mr. BEALL. You did not throw them in the wastebasket?
Mr. VAN ORMER. I should say not.
Mr. BEALL. Was there not some reason for burning them?
Mr. VAN ORMER. We burn a great many things. I tell our janitor that he must not take out to the mill department envelopes on the face of which are made notations. You know the mill people will take an envelope and tear it open and spread it out and use the inside for memorandums in the mill. I will say to him: "You must be careful when you empty this basket of mine only to give them blank envelopes.
Mr. BEALL. Did the janitor burn these?
Mr. VAN ORMER. I do not know.
Mr. BEALL. How do you know they were burned?
Mr. VAN ORMER. I do not, if you come right down to it.
Mr. BEALL. They may not have been burned at all?
Mr. VAN ORMER. I am just as sure as I can be, but if you ask me definitely, that is something else.
Mr. BEALL. You had some information that they were burned?
Mr. VAN ORMER. Yes, sir.
Mr. BEALL. Who gave you that information?
Mr. VAN ORMER. I do not recall.
Mr. BEALL. Did they tell you why they burned them?
Mr. VAN ORMER. No; I am not prepared to discuss that.
Mr. BEALL. It is a frequent occurrence there that you burn papers?
Mr. VAN ORMER. Yes, sir.
Mr. BEALL. Did anybody ever tell you about burning these?
Mr. VAN ORMER. It is a very common practice. We have the fires handy.
Mr. BEALL. Have you ever burned any other agreement for fear that it might be illegal?
Mr. VAN ORMER. I think that is about the only one that I have any knowledge of at all; that one there [indicating], and personally, as far as I am concerned, I want it to be the last one.

Mr. BEALL. You were eager that there should not remain in existence a single copy of this attempted agreement? You will admit that?

Mr. VAN ORMER. Oh, yes.

Mr. BEALL. Do you know what effort was made to ascertain whether all of them had been returned or not?

Mr. VAN ORMER. No; I do not.

Mr. BEALL. Do you know whether they were counted, the ones sent back, to see whether they were all there?

Mr. VAN ORMER. I did not count them.

Mr. BEALL. Well, do you know whether anybody else did?

Mr. VAN ORMER. No, sir; I do not.

Mr. BEALL. I believe you say you do not know how many of them were signed, or whether any of them were signed?

Mr. VAN ORMER. No, sir.

Mr. BEALL. Do you know whether these different concerns named in the agreement after that time sold their product at certain stipulated prices?

Mr. VAN ORMER. There probably was a minimum price, which did not by any means fix the market price. I will make that statement, because the Lukens Iron & Steel Co. in good times have no need to go beyond the minimum price. I do not know anything about the rest.

Mr. BEALL. There was, as I understand, some sort of an agreement or understanding or practice among these concerns that there was a minimum price, below which they were not to go?

Mr. VAN ORMER. I am not competent to answer that question.

Mr. BEALL. Was there a minimum price below which the Lukens Iron & Steel Co. would not go?

Mr. VAN ORMER. Yes.

Mr. BEALL. Who fixed that minimum price?

Mr. VAN ORMER. I do not know.

Mr. BEALL. How long did that minimum price prevail?

Mr. VAN ORMER. You might speak of the minimum price effective any day. You might speak of it effective to-day or six months ago.

Mr. BEALL. If it was just simply a resolution of the Lukens Iron & Steel Co. that they would not go below a certain price, it would still be optional with them whether they should go below that price, they would have the power and would not have to account to anybody for doing it, but in 1900 and 1901, if you went below the minimum price was there not some power that had authority over you to call you to account for it?

Mr. VAN ORMER. I would not put it in that shape.

Mr. BEALL. Put it in the right shape. I am not sure that I got it in the right shape.

Mr. VAN ORMER. I should say not. That matter of a base price was—I am talking now about the period prior to 1905.

Mr. BEALL. Well, I am not; I am talking about 1900.

Mr. LINDABURY. 1900 and 1901?

Mr. BEALL. 1900, 1901, and 1902.

Mr. VAN ORMER. Very shortly after that, if I recollect correctly, we were getting considerably more than any minimum price that might have been perfected.

Mr. BEALL. You did not within the period of time indicated here go below the minimum price?

Mr. VAN ORMER. No, sir.

Mr. BEALL. Did you not understand that if you did go below that minimum price at that time you would be called to account in some way?

Mr. VAN ORMER. That matter would not come to me.

Mr. BEALL. You do not know?

Mr. VAN ORMER. No, sir.

Mr. BEALL. You started to speak about the conditions which prevailed prior to 1905. Let us come to 1905, 1906, and 1907: What were the conditions then with regard to it?

Mr. VAN ORMER. There was no minimum price that we respected, as I recollect it. There was no understanding. You are evidently trying to establish the fact that there was an understood price.

Mr. BEALL. There was in 1901.

Mr. VAN ORMER. There may have been then.

Mr. BEALL. There was.

Mr. VAN ORMER. But after the termination of this arrangement, whatever it may be called, by a majority consent of the parties that may have been members of it, you know, then the minimum-price business began to drop out.

Mr. BEALL. When did that arrangement or agreement, whatever you choose to call it, terminate, according to your understanding?

Mr. VAN ORMER. If you call it an agreement or arrangement, some time late in 1905 or early in 1906, as I remarked this morning in my testimony.

Mr. BEALL. It continued probably until the early part of 1906?

Mr. VAN ORMER. If I am correct in my recollection of the date.

Mr. YOUNG. The witness testified this morning that he was away for a while.

Mr. VAN ORMER. I was away in 1905. I did not get back to work until September, 1905.

Mr. BEALL. Do you understand that up to as late as 1905 these concerns named in this agreement maintained among themselves the kind of arrangement that we have been talking about?

Mr. VAN ORMER. I am not certain about the list, but whoever they were, there was concerted action during that time; yes.

Mr. BEALL. Can you give from memory any of the parties?

Mr. VAN ORMER. No; I will not try that.

Mr. BEALL. Any of the parties who participated in that concerted action?

Mr. VAN ORMER. No; I will not try that.

Mr. GARDNER. Do you remember whether the Carnegie Co. was one?

Mr. VAN ORMER. Since I can not recollect, I had not better try to remember at all.

Mr. GARDNER. That is not an answer to the question. Do you remember whether the Carnegie Co. was one?

Mr. VAN ORMER. They were.

Mr. BEALL. How late can you recall the fact of the Carnegie Co. being one of them?

Mr. VAN ORMER. I would say until that period in 1905 or 1906 that I spoke of a moment ago.

Mr. BEALL. Along about 1900, 1901, 1902, and so forth, do you know whether your company was called upon to contribute anything to an expense fund?

Mr. VAN ORMER. That would not come under me at all.
Mr. BEALL. I did not ask you that, do you know anything about that?
Mr. VAN ORMER. No, sir.
Mr. BEALL. Whether it comes under your department or not, have you any knowledge?
Mr. VAN ORMER. No definite knowledge.
Mr. BEALL. Did you ever hear that they were contributing?
Mr. VAN ORMER. I do not think that I have to answer that question. I do not know what I might have heard.
Mr. BEALL. But I am asking you about a particular thing.
Mr. VAN ORMER. My recollection does not go back that far sufficiently clear to answer the question.
Mr. BEALL. You do not recall whether you heard anything about your company making contributions to an expense fund or not?
Mr. VAN ORMER. No, sir.
Mr. BEALL. Do you know when, if at all, your company received back any of the deposits that it made, if it made any?
Mr. VAN ORMER. That can go along with your last question; that would not be in my bailiwick at all.
Mr. BEALL. You do not recollect anything about it?
Mr. VAN ORMER. No, sir.
Mr. BEALL. You do not recall the circumstance of any amount having been paid back?
Mr. VAN ORMER. No, sir.
Mr. BEALL. Would Mr. Huston have knowledge of those circumstances?
Mr. VAN ORMER. I would suppose so.
Mr. BEALL. He would be more likely than anyone else connected with your company to know about that?
Mr. VAN ORMER. Just ask him to-morrow. I should say so; yes.
Mr. LITTLETON. There were 35 or 36 copies of this agreement?
Mr. VAN ORMER. No; I do not know how many copies were printed.
Mr. LITTLETON. Is there anything in the coincidence of thirty-five hundredths per cent and 35 copies of the agreement?
Mr. VAN ORMER. That is wholly a coincidence. That has no significance at all.
Mr. LITTLETON. Naturally, to the unacquainted man, from 35 copies and thirty-five hundredths per cent, it would seem that maybe some had not signed and were waiting?
Mr. VAN ORMER. No; there is no significance at all.
Mr. DANFORTH. Did you see any of the copies with the signatures on them of any of the parties?
Mr. VAN ORMER. No.
Mr. LITTLETON. Who said they should be destroyed?
Mr. VAN ORMER. I think I answered that question this morning.
Mr. LITTLETON. Just one time. Who said it to you?
Mr. VAN ORMER. I do not know.
Mr. LITTLETON. Anybody?
Mr. VAN ORMER. That, of course, would be a matter for executive attention, and, of course——
Mr. LITTLETON (interposing). How did you, then, get your information?
Mr. VAN ORMER. From Mr. Huston, the president.

Mr. LITTLETON. Was anything said about why they should be destroyed?

Mr. VAN ORMER. There may have been.

Mr. LITTLETON. Do you recall anything?

Mr. VAN ORMER. No, sir. It is 10 years ago, and that is a long time.

Mr. LITTLETON. This was a very important thing?

Mr. VAN ORMER. Yes, sir.

Mr. LITTLETON. Have you any recollection at the present time why they were destroyed?

Mr. VAN ORMER. I suppose they did not want them lying around; a good thing to get out of the way.

Mr. LITTLETON. A troublesome thing?

Mr. VAN ORMER. Yes, sir.

Mr. LITTLETON. Was there anything said about how they should be destroyed?

Mr. VAN ORMER. No, sir; but I said here that I think they were burned. I am not sure.

Mr. LITTLETON. At the risk of duplication I am going to ask you a few questions; I could not be here this morning. Were you told about the burning of them?

Mr. VAN ORMER. They came back, as I remember it, from the printer's office, and they were put in a bundle; and just how long they were in that bundle I do not know, but they were burned, as I understand.

Mr. LITTLETON. As a bundle?

Mr. VAN ORMER. Yes, sir.

Mr. LITTLETON. Do you know who burned them?

Mr. VAN ORMER. I suppose Mr. Huston himself.

Mr. LITTLETON. They were burned in a furnace or fire?

Mr. VAN ORMER. Yes, sir. We have plenty of furnaces handy there—we had at that time; we moved the office. At that time it was only two minutes' walk from the office down to a very hot furnace.

Mr. LITTLETON. You got a hot furnace, and Mr. Huston himself inserted the bundle in the fire?

Mr. VAN ORMER. That is hardly relevant. I do not know; I would think so.

Mr. LITTLETON. Was any reason given why he did that?

Mr. VAN ORMER. Ten years ago is a long time.

Mr. LITTLETON. Yes; but it is as long a time in my life as yours. Was any reason given at that time for the burning of the bundle?

Mr. VAN ORMER. There may have been.

Mr. LITTLETON. Have you any recollection of any reason?

Mr. VAN ORMER. Not sufficiently to state.

Mr. LINDABURY. I suppose you do not know that Mr. Huston is to be here to-morrow, the principal in this transaction, and we have had three hours of this witness's guessing.

Mr. LITTLETON. I would like to ask one other question. Was anything said about the illegality of this instrument?

Mr. VAN ORMER. No; I am not prepared at this late day to say; there may have been.

Mr. LITTLETON. How did you keep the faith of the thing after it was burned—how did you know what the provisions of it were?

Mr. VAN ORMER. I am not prepared to answer that question. I had nothing whatever to do with it.

Mr. LITTLETON. Do you mean to say that there was no record of the substance of it kept anywhere?

Mr. VAN ORMER. That [indicating]?

Mr. LITTLETON. Yes, sir.

Mr. VAN ORMER. Absolutely not, so far as I know.

Mr. STERLING. Was it not suggested that this contract should be typewritten instead of printed?

Mr. VAN ORMER. Not to me.

Mr. STERLING. To anybody that you know of?

Mr. VAN ORMER. No.

Mr. STERLING. Was it not typewritten?

Mr. VAN ORMER. This agreement here [indicating]?

Mr. STERLING. Yes, sir.

Mr. VAN ORMER. Not that I know of.

Mr. GARDNER. Was agreement B typewritten?

Mr. VAN ORMER. I am not familiar with that.

Mr. LITTLETON. You do not know what they mean on page 6 when they refer to agreement B?

Mr. VAN ORMER. No, sir. I am not fully enough conversant with this whole thing to give you what you so ardently desire, which I regret.

Mr. YOUNG. You regret that you can not give it or that we desire it?

Mr. VAN ORMER. I do not care which construction you put on it.

Mr. LITLETON. You regret that it is a matter of common record?

Mr. VAN ORMER. Yes, sir; I think so. During the time that this discussion is going on here, we are suffering for want of work at home.

The CHAIRMAN. Work who?

Mr. VAN ORMER. Tonnage to keep the mills going.

The CHAIRMAN. The public?

Mr. VAN ORMER. To keep the mills going.

Mr. LITTLETON. The furnaces are still going?

Mr. VAN ORMER. We speak of "work" as tonnage to keep the mills going.

The CHAIRMAN. Do you run a blast furnace?

Mr. VAN ORMER. No, sir.

The CHAIRMAN. Do you run a rolling mill?

Mr. VAN ORMER. Yes, sir; a rolling mill.

The CHAIRMAN. Does your absence stop that concern?

Mr. VAN ORMER. The agitation.

The CHAIRMAN. You object to this?

Mr. LINDABURY. The witness speaks of the investigation here as interfering with business.

Mr. VAN ORMER. I am not busy, and have not been for a long time.

Mr. STERLING. Is that due to the fact that this investigation is going on?

Mr. VAN ORMER. Please pardon me for expressing an opinion.

Mr. STERLING. You suggested a few moments ago that while this discussion was going on the mills are idle. Do you mean to infer that this investigation is responsible for that?

Mr. VAN ORMER. No; I would not say that, but while it is going on, at this time, we are not very busy.

The CHAIRMAN. You are quite busy; you are not complaining about not being busy, are you?

Mr. VAN ORMER. This afternoon I have been busy. [Laughter.]

Mr. GARDNER. I want to state a résumé of your evidence, as I understood it this morning, partly for the benefit of Mr. Littleton, who was not here, and partly because I want to be corrected if I got a wrong impression.

I take it that you begin by believing that the agreement which has been furnished to us is one of the original printed copies that they sent out to be signed?

Mr. VAN ORMER. Yes, sir; so far as I can determine.

Mr. GARDNER. And you have testified that all of these copies came back, whether signed or not you do not know, but you think unsigned?

Mr. VAN ORMER. Yes; that is right.

Mr. GARDNER. And that when they did come back and they were all burned, after an expression by some party or parties who have not developed, that the agreement was illegal, then you have proceeded to testify that after they were burned certain practices were installed in your company, in conformity with the agreement?

Mr. VAN ORMER. No.

Mr. GARDNER. If it had been entered into?

Mr. VAN ORMER. No; do not put it quite that broadly, please.

Mr. GARDNER. Well, then, I will enumerate them. You testified that this circumstance took place after the agreement was burned, to wit: That you began making reports to one Mr. Temple, who was supposed to be a commissioner such as is provided for in this agreement; that that did not begin before the agreement was rejected; that after the agreement was rejected, your company proceeded to carry out certain other things, to wit, the apportionment of 7½ per cent of the shipments to your company; that to the best of your knowledge and belief your company carried out an agreement which required a deposit on the part of your company, which is provided for in this agreement——

Mr. VAN ORMER. No; I was not competent to testify as to that.

Mr. GARDNER. I think you said that you had heard something to that effect?

Mr. VAN ORMER. Yes.

Mr. GARDNER. That it had been deposited?

Mr. VAN ORMER. Yes.

Mr. GARDNER. Now, in answer to my questions you testified that certainly in some respects your practices after this agreement was destroyed were the same as they would have been if the agreement had be actually signed, and I asked you if you could point out some cases in which your practice had differed, and you did not point them out. I am correct as far as that goes?

Mr. VAN ORMER. Yes. I have had no chance to go over this carefully.

Mr. GARDNER. Following that I asked you whether at this time, which was at the time after the great fight in the steel industry, it was your understanding that substantially agreements like this were

proposed throughout the steel trade, to which you answered that it was generally understood, or that you had generally understood that agreements like this, in one way or another, were entered into in the steel trade?

Mr. VAN ORMER. Yes.

Mr. GARDNER. The object being——

Mr. VAN ORMER. But I would not want to make it a matter of record quite that pertinently, for I do not know anything about the other branches of the steel trade.

Mr. GARDNER. You stated it was your opinion of the situation.

Mr. VAN ORMER. Yes; that will do.

Mr. GARDNER. Of course, you must remember that we are as unfamiliar—at least, I am as unfamiliar—with the steel trade as you probably are with the procedure of the House of Representatives—the one being your business and the other being our business, and we being obliged to restate questions in order to come to a meeting of minds.

Mr. VAN ORMER. Yes.

Mr. GARDNER. Now, it developed from certain questions that some members of this committee might think that although you might be correct in supposing that that agreement was never executed, nevertheless, that it was studied by the constituent companies and in practice by a sort of general agreement, carried out just as if it had been in fact executed in written form. Am I correct in that?

Mr. VAN ORMER. Well, now, I declare you state the thing better than I could state it myself. [Laughter.] I do not know that I am not prepared to say you are right.

Mr. GARDNER. Do you take issue with my presentation of the résumé of your evidence?

Mr. VAN ORMER. No. I will not question that either. [Laughter.] There is the record, and when it comes you can see.

Mr. YOUNG. I would suggest that there is one important item that you left out there, Mr. Gardner. That is the fact that Mr. Temple made monthly reports to their company, just as was provided for in the agreement.

Mr. GARDNER. Just as was provided for in this agreement. I think there may have been other points in which your practice conformed to the agreement which, I think myself, very likely was never signed, and I believe your evidence that it was burned; but that it might have been fixed in the minds of the parties to that agreement I think is exceedingly probable.

A little while ago you said that you never knew of the burning or destruction——

Mr. VAN ORMER. No; I will tell you——

Mr. GARDNER (continuing). Of more than one agreement, and that you hoped, incidentally, that you would not be connected with any other?

Mr. VAN ORMER. You mean one copy or one bunch?

Mr. LITTLETON. One series.

Mr. VAN ORMER. One bunch.

Mr. GARDNER. One—whatever the word was—agreement.

Mr. VAN ORMER. That is right.

Mr. GARDNER. Now, let me understand you. Do you mean that you do not know of the burning of more than one or that you never knew of the existence or tentative existence of more than one?

Mr. VAN ORMER. I do not know of anything else—more than the copy we have discussed to-day.

Mr. GARDNER. Just that one agreement?

Mr. VAN ORMER. Yes.

Mr. GARDNER. This morning you testified that you proceeded under an agreement of some sort until 1906.

Mr. VAN ORMER. No; I did not put it that way. I had my instructions, of course, to go ahead. Just what may have been back of those I do not know. If you want to call it an agreement——

Mr. GARDNER. I think you put it a little more strongly.

Mr. VAN ORMER. Did I?

Mr. GARDNER. And that the record will so show, but at the same time you went ahead on what you believed to be an agreement?

Mr. VAN ORMER. Yes.

Mr. GARDNER. And that that agreement terminated in 1906 or thereabouts. I asked you at the time whether you gave notice to any central power of your desire to terminate that agreement, to which you said no.

Mr. VAN ORMER. Yes.

Mr. GARDNER. I asked you whether any central power gave notice to you of their desire to terminate the agreement, to which you said no; that you simply told your salesmen to sell at a new price. I presume, also, you then went ahead and produced as great a proportion of the shipment of plates as you possibly could, did you not?

Mr. VAN ORMER. No. I am glad to have a chance to amplify somewhat my statement there. I meant to say that by common consent everything was off. Just how the common consent was announced I do not know, but it was understood. We were not the only ones going into the market and shipping stuff; but everybody else did the same.

Mr. GARDNER. It was not, then, a case of the withdrawal of the Lukens Steel & Iron Co.——

Mr. VAN ORMER. Only.

Mr. GARDNER. But it was a case of the annihilation of the agreement of 1900?

Mr. VAN ORMER. Oh, yes, sir.

The CHAIRMAN. When did that common consent occur?

Mr. GARDNER. Just after he got back, early in 1906 or late in 1905.

Now, then, I find this provision: That in case of such an annihilation of the agreement as you describe, certain things are to happen, to wit, the fifteenth article of this agreement, which says:

> Whenever this agreement shall have been terminated, the balance of the deposit, with accumulated interest, remaining in the hands of the treasurer, to the credit of each party, after provision shall have been made for the payment of all expenses, shall be returned to it, etc.

Was any proportion of that amount to your credit returned to you?

Mr. VAN ORMER. I had nothing at all to do with any money feature of this whole business.

Mr. GARDNER. And you never knew of any, did you?

Mr. VAN ORMER. No; I am not competent to answer that.

Mr. GARDNER. Do you know whether, as a matter of fact, your company in 1906 had a credit in this balance or a debit?

Mr. VAN ORMER. No, sir; I do not know.

Mr. GARDNER. That, I presume, is a matter on which Mr. Huston can enlighten us?

Mr. VAN ORMER. I do not know.

Mr. GARDNER. Because it seems to me perfectly obvious under this agreement that there is a provision showing what shall happen if the agreement is annihilated, as I expressed it, which ought to be a matter which somebody can inform us of—whether, indeed, the books of your company show that you were assessed to pay what you owed, or whether you received a return of that which was owed to you.

Mr. LINDABURY. Assuming that the real arrangement was according to that paper that was burned.

Mr. VAN ORMER. That is the inference that I have.

Mr. GARDNER. I beg pardon.

Mr. LINDABURY. I say, assuming that the real arrangement under which they acted was according to that written agreement.

Mr. GARDNER. I am not assuming that at all; but I am assuming that if the facts reveal that there was a return of this amount to the company it will be additional evidence that they were proceeding under the form of that agreement, although I am perfectly willing to admit that that agreement may never have been executed in any form which, for instance, would leave a copy in the books of your concern. I can quite understand that, but I am trying to reconcile in my own mind Mr. Trimble's statement that there is no copy of that agreement with you, it having been inaugurated a year or two before you came into existence. I am trying to reconcile that statement with the fact that here is an obvious tentative agreement. I do not think anybody who has listened to the evidence to-day can doubt that. I am trying to figure out how it is that this situation arose.

Mr. Van Ormer, there are one or two other questions which I will ask for information for general purposes, and not with the idea of convicting anybody of a criminal agreement. Were these 11 companies substantially the principal makers of plates in 1900?

Mr. VAN ORMER. Well, I am not quite sure that I can answer that question directly.

Mr. GARDNER. Did they control, in your opinion, over 50 per cent of the output of plates in the country?

Mr. VAN ORMER. Oh, yes.

Mr. GARDNER. Over 75 per cent, in your opinion?

Mr. VAN ORMER. I will have to stop guessing at that.

Mr. GARDNER. That is, you guess over 50 per cent, or you believe that? Your inflection led me to understand that.

Mr. VAN ORMER. I meant that no doubt the people mentioned there were making over 50 per cent of the plates, here or anywhere.

Mr. GARDNER. At that time?

Mr. VAN ORMER. Yes.

Mr. GARDNER. They were making over 50 per cent, but you do not know whether they were making over 75 per cent or not?

Mr. VAN ORMER. No.

Mr. GARDNER. In other words, the 11 represented the steel-plate-making industry of this country, did it?

Mr. VAN ORMER. Oh, there were some others.

Mr. GARDNER. Oh, there always are; but that was——

Mr. VAN ORMER. And I would say there were some others that made some tonnage, too.

Mr. GARDNER. So that if this agreement had been consummated it would have been an agreement drawing together in one body the dominating factor—that is, the majority factor—of the steel-plate-making industry of the country?

Mr. VAN ORMER. Yes; if you say over 50 per cent.

Mr. GARDNER. When I use the expression "dominating" I might say "controlling," or something else that indicates a majority?

Mr. VAN ORMER. Yes.

Mr. GARDNER. Now, another question. You testified this morning that you were rather of the opinion that this same sort of agreement, along about 1900 or 1899, whenever it was they patched up the rate war that was going on in steel, was in vogue not only among the plate makers, but among various other branches of the industry?

Mr. VAN ORMER. I was led into a remark there when I did not have sufficient knowledge to state the case at all intelligently. I do not know anything about the makers of rails or bars or bands or anything else.

Mr. GARDNER. You stated it as your impression, though.

Mr. VAN ORMER. I think that some one who asked that question led me to say it was my impression. I do not know.

Mr. LINDABURY. An impression based upon no information.

Mr. VAN ORMER. That is it.

Mr. GARDNER. If we confine ourselves to direct information we will not get anywhere.

Mr. VAN ORMER. I have no more knowledge of that business than you have.

Mr. GARDNER. Then you must be a very ignorant man.

Mr. VAN ORMER. I am, because we do not make rails and do not handle them. All we use them for is for tracks in our yard, for our little locomotives there. Newspapers, of course, print things sometimes; but I have no knowledge of the rail business at all.

Mr. GARDNER. Have you any hearsay knowledge that a practice existed in any other branches of the steel trade, of preparing a tentative agreement and then not signing it and destroying the tentative agreement?

Mr. VAN ORMER. No.

Mr. GARDNER. You have no knowledge, except in this particular branch, of the steel trade?

Mr. VAN ORMER. No.

Mr. GARDNER. That is all the questions.

Mr. STERLING. I would like to ask one question. Did the prices of steel plate remain the same from 1901 to 1906?

Mr. VAN ORMER. No. You are covering there the period of perhaps the highest prices we have had for a great many years.

Mr. STERLING. It is during the entire period that you seem to have been operating under some kind of an agreement. Did the prices vary?

Mr. VAN ORMER. Well, if I recall correctly, we were getting during that time, I think, the highest prices we have ever gotten for steel plates.

Mr. STERLING. That may be true; but did they vary? Were they up at one time of the year and down at another?

Mr. VAN ORMER. No; not particularly. I think in that period they kept going up, and I can not tell you now just when the drop occurred, but they kept going up and going up.

Mr. STERLING. It did not occur until after 1906, did it?

Mr. VAN ORMER. I am under the impression that up to that time the high prices——

Mr. STERLING. The tendency was up?

Mr. VAN ORMER. If you have access to the Iron Age you will find it in there about January 1—a colored card showing——

Mr. STERLING (interrupting). Who suggested the increased price from time to time? Did it come from some central authority?

Mr. VAN ORMER. Oh, no.

Mr. STERLING. How did you know when to raise the prices for your company?

Mr. VAN ORMER. When we could get them.

Mr. STERLING. How is that?

Mr. VAN ORMER. When folks were willing to pay higher prices for the stuff. There were times when the users of plates would pay the price that the mills asked.

Mr. GARDNER. The witness has testified that he knows nothing about agreement B, which was the price-controlling factor, apparently, of the contract.

Mr. VAN ORMER. You see, it is like this. If all the mills are busy and have all the work they can do, the probabilities are that prices will be higher. That is natural.

Mr. GARDNER. In default of an agreement to the contrary?

Mr. VAN ORMER. Oh, you could never expect anybody to say that he would not take all he could get.

Mr. GARDNER. During that period to which Mr. Sterling has alluded—that five-year period—did the percentage of shipments of these 11 constituent companies, or so many of them as you think adhered to the same agreement, vary?

Mr. VAN ORMER. I am not prepared to answer that question.

Mr. LITTLETON. This provision, at page 6, says:

> All sales between parties to this agreement shall be at pool prices, as provided in agreement B.

Did you read this at the time?

Mr. VAN ORMER. The whole of that?

Mr. LITTLETON. Yes.

Mr. VAN ORMER. It is likely; yes.

Mr. LITTLETON. You had some idea of what agreement B was, had you not?

Mr. VAN ORMER. No; I never saw agreement B, to the best of my knowledge.

Mr. LITTLETON. No; but you knew by this that it was an agreement which was supplementary to this?

Mr. VAN ORMER. Oh, I may have known at the time; yes.

The CHAIRMAN. Is it not referred to as the schedule of prices somewhere?

Mr. LITTLETON. Yes. [Reading:]

> All sales between parties to this agreement shall be at pool prices, as provided in agreement B.

You can see that agreement B must have contained the pool prices.

Mr. VAN ORMER. Yes; I should suppose so.

Mr. LITTLETON. Do you know whether agreement B was printed at the same time or not?

Mr. VAN ORMER. I do not know that it was. I know I never saw but the one.

Mr. LITTLETON. Is it your recollection that this bundle that Mr. Huston put in the furnace contained agreement B, too?

Mr. VAN ORMER. I have no recollection about that. I never saw it.

Mr. LITTLETON. Did you ever see agreement C?

Mr. VAN ORMER. No.

Mr. LITTLETON. Or agreement D?

Mr. VAN ORMER. No.

Mr. LITTLETON. Do you understand that agreement B, however that is, only referred to the fixation of prices?

Mr. VAN ORMER. I do not understand anything about it. I do not know anything about it.

Mr. LITTLETON. I see here where you were required to send your check to T. Mellon & Sons, at Pittsburg.

(The witness laughed.)

Mr. LITTLETON. That amuses you, does it not?

Mr. VAN ORMER. No; I am not amused. I would not be discourteous to the committee.

Mr. LITTLETON. It is no discourtesy at all. I like to see you amused about it. It reads:

> Which account shall show that the member receiving the same is indebted to the association, the member so receiving its or their account, showing its or their indebtedness, shall forward to the treasurer a check or sight draft drawn to the order of T. Mellon & Sons, in payment of such indebtedness——

Mr. VAN ORMER. I am not competent to discuss that feature of the matter at all, because that would come under the jurisdiction of and pass through the hands of our treasurer.

Mr. LITTLETON. Who would know about that?

Mr. VAN ORMER. I suppose our treasurer would know about it.

Mr. LITTLETON. Who was the treasurer?

Mr. VAN ORMER. Joseph Humpton.

Mr. LITTLETON. Where does he live?

Mr. VAN ORMER. Coatesville.

Mr. LITTLETON. Where is that?

Mr. VAN ORMER. Coatesville, Pa., where we are located.

Mr. LITTLETON. That is where he lives now?

Mr. VAN ORMER. Yes.

Mr. LITTLETON. He is still treasurer?

Mr. VAN ORMER. Yes.

Mr. LITTLETON. And he would know about these checks, would he not?

Mr. VAN ORMER. Oh, yes.

Mr. LITTLETON. I suppose when you sent those checks, the vouchers would be returned to you—the canceled checks?

Mr. VAN ORMER. They generally are. You mean returned by the bank?

Mr. LITTLETON. Yes.

Mr. VAN ORMER. I should say so.

Mr. LITTLETON. Do you keep them at all?

Mr. VAN ORMER. I am not conversant with the practice at all. The work there is in departments, and I do not know very much more about this business than any person in this room, perhaps.

Mr. LITTLETON. I suppose if those checks were sent, canceled, to you, you have a rule, after a certain period, of throwing them out?

Mr. VAN ORMER. Yes; destroying things.

Mr. LITTLETON. Did you ever know of an agreement in the steel business before that found its way into the furnace before this—not after?

Mr. VAN ORMER. I have only known of that one.

Mr. LITTLETON. Before this time?

Mr. VAN ORMER. I say I have only known of that one; so I can not know of any others.

Mr. LITTLETON. It made quite an impression on you, did it not?

Mr. VAN ORMER. Since you have been making an impression on my mind here to-day some few things have come up very distinctly, and that is one of them.

Mr. LITTLETON. What?

Mr. VAN ORMER. Getting back those copies and destroying them.

Mr. LITTLETON. Yes.

Mr. VAN ORMER. I doubt whether this thing has been spoken of at home for, well, several years.

Mr. LITTLETON. It is not a matter that you would talk about much anyhow?

Mr. VAN ORMER. No; we would not want to. [Laughter.]

Mr. LITTLETON. Are you sure that all these copies that you have spoken of were all of the copies of this agreement that were made?

Mr. VAN ORMER. I would have said, if I had been testifying here to-day about those copies, that they had certainly all been destroyed.

Mr. LITTLETON. You never suspected this one was on earth?

Mr. VAN ORMER. I never thought there was a printer in the United States——

Mr. LITTLETON. That would keep one of them?

Mr. VAN ORMER. That would deceive in that way. I would not think any printer would do that. I used to be a printer myself. I know I would not do it.

Mr. LITTLETON. You looked at it as a sort of a printer's offense?

Mr. VAN ORMER. Yes; I call that a printer's offense; yes. I would like to use a stronger term.

Mr. LITTLETON. Go as far as you like.

Mr. VAN ORMER. Oh, no.

Mr. GARDNER. Well, it does not really matter, as long as the paper is identified, whether there was an impropriety committed.

Mr. LITTLETON. Not the slightest, but I was asking a little about other copies. I wanted to know if he was sure that the copies which he said he or Mr. Huston inserted in the furnace at a given time were all of the copies that were made?

Mr. VAN ORMER. I know that at the time it was presumed that every one of them was in that package.

The CHAIRMAN. You thought you were "out of the woods"?

Mr. VAN ORMER. I did not think anything of the kind. I did not have any occasion to.

Mr. MCGILLICUDDY. I do not know but that you have stated it, but what was your purpose in burning up these papers?

Mr. VAN ORMER. The burning did not originate with me, or the idea did not.

Mr. MCGILLICUDDY. But your purpose was to gather them together and have them destroyed. Why did you want to do that?

Mr. VAN ORMER. As I said this morning, to get them out of the way.

Mr. McGILLICUDDY. Why did you want to get them out of the way? What harm were they doing?

Mr. VAN ORMER. Would you——

Mr. McGILLICUDDY. Not what I would do, but why did you do it?

Mr. VAN ORMER. Must a person give a reason for everything he does?

Mr. McGILLICUDDY. I think so; for doing a thing like that. Why did you want to get them out of the way, unless there was some reason for it?

Mr. VAN ORMER. Oh, well, it was afterwards found that it was not the thing to do.

Mr. McGILLICUDDY. It was not what?

Mr. VAN ORMER. The thing to do.

Mr. McGILLICUDDY. There was not a thing to do?

Mr. VAN ORMER. It was afterwards found that it was not the proper thing to do.

Mr. LINDABURY. He testified to that this morning.

Mr. McGILLICUDDY. When did you find out it was not the proper thing to do—before you burned it or afterwards?

Mr. VAN ORMER. Oh, well, I would say before.

Mr. McGILLICUDDY. Before?

Mr. VAN ORMER. Yes.

Mr. McGILLICUDDY. How did you find out that it was not the proper thing to do?

Mr. VAN ORMER. I did not find out.

Mr. McGILLICUDDY. You just said you did.

Mr. VAN ORMER. Oh, I spoke of "we." I did not mean myself personally.

Mr. McGILLICUDDY. Who do you mean when you say "we"?

Mr. VAN ORMER. I mean the folks at home.

Mr. McGILLICUDDY. Your folks at home?

Mr. VAN ORMER. Yes.

Mr. McGILLICUDDY. Somebody outside of yourself?

Mr. VAN ORMER. Yes.

Mr. McGILLICUDDY. Who else?

Mr. VAN ORMER. It is a matter of record in my testimony this morning. I spoke of Mr. Huston.

Mr. McGILLICUDDY. Who else?

Mr. VAN ORMER. I would not need to mention any person but him.

Mr. McGILLICUDDY. Then it was all between you and Mr. Huston? That is how you found it out?

Mr. VAN ORMER. Yes; I would say so.

Mr. McGILLICUDDY. What did you find out from Mr. Huston that was wrong about it?

Mr. VAN ORMER. I do not know.

Mr. McGILLICUDDY. You do not know?

Mr. VAN ORMER. No.

Mr. McGILLICUDDY. You remember that you had a talk with him?

Mr. VAN ORMER. Naturally.

Mr. McGILLICUDDY. Naturally. I mean, do you remember it?

Mr. VAN ORMER. No; I do not, any more than——

Mr. McGILLICUDDY. Then, if you do not remember it, how do you know it was wrong?

Mr. VAN ORMER. Oh, please do not pursue that, because I do not know.

Mr. MCGILLICUDDY. You say you found out something that was wrong, and now you can not remember anything about it?

Mr. VAN ORMER. I say I supposed something was wrong. I did not know.

Mr. MCGILLICUDDY. What was it that you found out that was wrong?

Mr. LINDABURY. The witness testified this morning that Mr. Huston said he was advised that it was illegal.

Mr. MCGILLICUDDY. He says now that he does not remember anything about it. What was wrong that you found out?

Mr. VAN ORMER. I do not know.

Mr. MCGILLICUDDY. You do not know what that wrong was?

Mr. VAN ORMER. No. As Mr. Lindabury said, Mr. Huston found out that the thing was illegal.

Mr. MCGILLICUDDY. And he communicated that to you?

Mr. VAN ORMER. Yes; evidently.

Mr. MCGILLICUDDY. And then you went and gathered these things up and put them out of existence by burning. Is that right?

Mr. VAN ORMER. I did not burn them.

Mr. MCGILLICUDDY. I thought you gathered them up.

Mr. VAN ORMER. No; I merely went to the printing office—if I went there at all. I am not sure whether Mr. Huston or I went there. I might have gone to the printing office and got the copy, and any copies that they had there, and burned them up.

Mr. MCGILLICUDDY. I say, you got them; you collected them and turned them over to Mr. Huston to be burned or destroyed or something?

Mr. VAN ORMER. Yes.

Mr. MCGILLICUDDY. And that was because you found out there was something wrong about it?

Mr. VAN ORMER. Yes.

The CHAIRMAN. Did you find out it was wrong before or after they were printed?

Mr. VAN ORMER. Oh, if we had found out before they were printed, they never would have been printed.

The CHAIRMAN. So you found it out after they were printed?

Mr. VAN ORMER. Naturally.

The CHAIRMAN. You found out they were wrong after they were printed and after you got them?

Mr. VAN ORMER. Yes.

The CHAIRMAN. And then you went back to the printing office after you got printed copies. Why did you go back?

Mr. VAN ORMER. I went back for the copy the printer had.

The CHAIRMAN. You went back for the other copy?

Mr. VAN ORMER. The one he had.

The CHAIRMAN. What did you want with that?

Mr. LINDABURY. That was the manuscript.

The CHAIRMAN. What did you want with the manuscript? The printer was not going to carry it into effect, was he? Did the printer have any blast furnaces, or was he making any iron plate?

Mr. VAN ORMER. Not this printer. [Laughter.]

The CHAIRMAN. Why did you want to get this copy if he was not going to carry it into effect?

Mr. VAN ORMER. We wanted to burn them or destroy them.
The CHAIRMAN. You wanted to burn his copy, too?
Mr. VAN ORMER. Yes.
The CHAIRMAN. What did you want to burn his copy for?
Mr. VAN ORMER. For the same reason that we wanted to burn the rest.
The CHAIRMAN. But he was not a party to the agreement?
Mr. VAN ORMER. No.
The CHAIRMAN. He had not done anything?
Mr. VAN ORMER. No, sir.
The CHAIRMAN. His copy was mere printed stuff, an unsigned document. Who could be hurt? What did you want to hunt for it for?
Mr. VAN ORMER. Oh, for the same reason. We destroyed them when we got them.
The CHAIRMAN. Because you did not want anybody to know you had had it printed, was it not?
Mr. VAN ORMER. Yes.
Mr. LITTLETON. You were so impressed with the idea that it was wrong and illegal that you made a very industrious effort to get every scrap of it and destroy it, and yet you say that for several years afterwards you were aware of the fact that although the visible evidence of the agreement had been destroyed, you were keeping the agreement in substantial particulars?
Mr. VAN ORMER. No; I did not say that. I said in some respects. The agreement as a whole was not observed.
Mr. LITTLETON. Mr. Gardner has recited to you——
Mr. GARDNER. The practices under the agreement.
Mr. LITTLETON (continuing). The practices under the agreement.
Mr. GARDNER. They did not keep the agreement in the sense of the document.
Mr. LITTLETON. No; you did not keep the document; but certain practices, as defined in this agreement, Mr. Gardner has called our attention to, and you say that you thereafter pursued those practices.
Mr. VAN ORMER. Some of them.
Mr. LITTLETON. Those that he recited. I will not go any further than that—which you agreed to and said were so?
Mr. VAN ORMER. Yes.
Mr. LITTLETON. If you knew it was wrong and illegal——
Mr. VAN ORMER. I do not know anything about that.
Mr. LITTLETON. If you had been advised that it was illegal and, therefore, found it necessary to destroy the instrument itself, you must have known that the things which were illegal were the practices provided under it, did you not?
Mr. VAN ORMER. Well, it may have been that it was thought that the contract itself was probably more illegal than the practices. I do not know.
Mr. GARDNER. Let me ask a question. You evidently, in your mind, draw a distinction between the words "wrong" and "illegal."
Mr. VAN ORMER. Yes.
Mr. GARDNER. Whereas you thought that for some phantasy of Government certain practices were declared illegal, nevertheless, if, without violating the letter of the law, you could attain the results in some other way, the results which you desired to attain were not of themselves wrong. Was that your idea?

Mr. VAN ORMER. Now, I am not competent——
Mr. GARDNER. It is very usual, when we hurt another——
Mr. VAN ORMER. Yes; but the fact is I have answered questions to-day that I do not think in all fairness should have been put to me at all.
Mr. YOUNG. Right there. You were a paid employee of this company, were you not?
Mr. VAN ORMER. Yes.
Mr. YOUNG. You were not an officer?
Mr. VAN ORMER. No.
Mr. YOUNG. Your judgment did not determine in regard to anything that should be done in this matter, did it?
Mr. VAN ORMER. No.
Mr. YOUNG. That was done by your superiors?
Mr. VAN ORMER. Yes.
Mr. YOUNG. It was they who determined what should be done, and it is their reason for doing it that is important, rather than your reason?
Mr. VAN ORMER. Yes.
Mr. YOUNG. I think that is fair to the witness.
Mr. GARDNER. I think that is fair.
Mr. YOUNG. They are the ones who determined this.
The CHAIRMAN. Some people think that if you could burn up all the Bibles in the country there would not be any necessity for keeping the ten commandments.
Mr. GARDNER. Inasmuch as we are going to have the principal, this is valuable only as secondary evidence, corroborating him. I think Mr. Van Ormer has pretty nearly reached the time when he is entitled to his release.
The CHAIRMAN. I think so. We do not want to stop those mills, either; so you are excused, Mr. Van Ormer.
Mr. VAN ORMER. Am I excused permanently?
The CHAIRMAN. I would hesitate to say that, because we do not like to divorce ourselves from your good company forever, without any recall; but for the time being, at least, you are excused.
Mr. VAN ORMER. In that better country we can meet and talk about some of these things.

(The committee thereupon, at 4.30 o'clock p. m., went into executive session, and subsequently adjourned until to-morrow, Tuesday, July 25, 1911, at 10.30 o'clock a. m.)

No. 11

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
Tuesday, July 25, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

I have here a certificate from the physician of Mr. J. S. Worth, of Coatesville, Chester County, Pa., who is identified with Worth Bros. Co., mentioned in the memorandum or printed contract put in evidence yesterday. The certificate reads as follows:

3508 BARING STREET,
Philadelphia, July 22, 1911.

Hon. A. O. STANLEY,
Chairman of Committee of House of Representatives to investigate, etc.

DEAR SIR: I am consulting, as well as one of the attending physicians, to Mr. J. S. Worth, of Coatesville, Chester County, Pa., subpœnaed to appear before your honorable body at Washington, Monday, July 24, 1911, at 10.30 a. m. He has been a seriously ill man a year the 17th of June, and has been unable to attend to business during this time, and as his medical adviser I say unhesitatingly he is physically unable to appear at Washington in obedience to your summons.

F. P. HOUSKEEPER, M. D.

We have no desire to bring a man here who is dangerously ill.

STATEMENT OF W. C. MORELAND.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Where do you live, Mr. Moreland?

Mr. MORELAND. In Pittsburg.

The CHAIRMAN. Are you in the employ of any steel company in Pittsburg?

Mr. MORELAND. Yes, sir; the Jones & Laughlin Co.

The CHAIRMAN. What position do you hold?

Mr. MORELAND. Secretary.

The CHAIRMAN. You are the secretary of the Jones & Laughlin Steel Co.?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. You are here under a subpœna duces tecum, I believe?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. I will ask you if you have a copy of that subpœna here?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. Will you please hand it to me? I want to use it as a memorandum.

Mr. MORELAND. Certainly. [Hands chairman subpœna.]

The CHAIRMAN. As secretary of the Jones & Laughlin Steel Co. had you any relations with what is known as the Steel Plate Association of the United States, or any correspondence?

Mr. MORELAND. Not personally.

The CHAIRMAN. I mean the company?

Mr. MORELAND. The company? I think they have had; yes, sir.

The CHAIRMAN. Have you any of that correspondence?

Mr. MORELAND. No correspondence; I have some papers with me.

The CHAIRMAN. Any checks or vouchers?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. Kindly produce those papers?

Mr. MORELAND. Yes, sir. [Handing chairman certain checks and vouchers.]

The CHAIRMAN. I find here "Voucher No. 16946, accounts payable voucher, Jones & Laughlin Steel Co. Amount, $16,328.60. Favor Willis L. King, treasurer Plate Association, Pittsburg, Pa., recorded January, 1905." And check, "Pittsburg, January 21, 1905. No. 16052. Peoples National Bank. Pay to the order of Willis L. King, treasurer, $16,328.60. (Signed) Jones & Laughlin Steel Co.—by who?

Mr. MORELAND (after examining check). T. K. Laughlin.

The CHAIRMAN. "Assistant treasurer." "Not over $18,000."

The voucher reads:

Jones & Laughlin Steel Co., to Willis L. King, Dr., treasurer Plate Association, Pittsburg, Pa. January 20. For amount due association for 1903, $16,328.60.

Mr. YOUNG. Are you reading the voucher?

The CHAIRMAN. Yes, sir. This is duly indorsed:

Received January 21, 1905, of Jones & Laughlin Steel Co., sixteen thousand three hundred twenty-eight 60/100 dollars, in full for the above account. $16,328.60.

WILLIS L. KING, *Treasurer.*

Where is Mr. King?

Mr. MORELAND. He is in Europe. He left for Europe on June 24, and he will return early in September. I think he is to sail on the 30th or 31st; that is my recollection.

The CHAIRMAN. Here is another check:

Pittsburg, January 16, 1904. No. 10545. Peoples National Bank. Pay to the order of Willis L. King, treasurer, $34,586.13. Thirty-four thousand five hundred and eighty-six and 13/100 dollars.

JONES & LAUGHLIN STEEL CO.,
T. K. LAUGHLIN,
Assistant Treasurer.

Not over thirty-six thousand ($36,000).

Mr. YOUNG. What is the date of that?

The CHAIRMAN. Pittsburg, January 16, 1904. The voucher corresponds:

ACCOUNTS PAYABLE VOUCHER.

Jones & Laughlin Steel Co. to Willis L. King, treasurer, Dr., Pittsburg, Pa., January 15, for amount due Plate Association for year 1902, $34,586.13.

This is duly indorsed. Now, under this contract you were entitled to 4.75 per cent of the business?

Mr. MORELAND. I do not know anything about the contract.

The CHAIRMAN. What were the vouchers for?

Mr. MORELAND. I do not know anything except what is stated on the vouchers.

The CHAIRMAN. Have you a paper there?

Mr. MORELAND. I have one here; yes, sir.

The CHAIRMAN. Please let me have it.

Mr. MORELAND. Yes, sir [handing chairman paper].

Mr. LITTLETON. Are your initials "W. C."?

Mr. MORELAND. Yes, sir.

Mr. LITTLETON. You are the secretary who signed these checks?

Mr. MORELAND. Yes, sir. There are six vouchers there.

The CHAIRMAN. What is this paper?

Mr. MORELAND. That is a paper prepared by our auditor from the books of the company.

The CHAIRMAN. Showing your account with the Plate Association?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. I see here you have "Cash for guaranty fund, $500." Do you know what that was for?

Mr. MORELAND. No, sir; I am not at all familiar with that. I was not in the sales department.

The CHAIRMAN. Do you know why W. L. King's traveling expenses were paid—$22.50?

Mr. MORELAND. I suppose that was when he was away. I do not know a thing about it.

The CHAIRMAN. I would suggest, with the consent of the committee, to save time and in order that the hearings may show, that we have the stenographer at this point copy this record into the hearings.

Mr. YOUNG. I think that is the best way.

The CHAIRMAN. And then I will examine him in reference to it.

Mr. LINDABURY. Does it show when the account was closed?

The CHAIRMAN. February 24, 1905, I believe was the last date, "Received from W. L. King, treasurer, $5,134.47."

(The statement referred to by the chairman follows:)

PLATE ASSOCIATION RECORD.

1900—Nov. 2.	Paid G. M. McCauley, Harrisburg, cash for guaranty fund	$500.00
Nov. 21.	W. L. King, traveling expense	22.50
Dec. 20.	Paid W. L. King for expense fund	237.50
Dec. 20.	Paid W. L. King for guaranty fund	4,750.00
Dec. 31.	Paid W. L. King, traveling expenses	23.33
1901—Apr. 9.	Paid W. L. King, traveling expenses	30.00
Nov. 21.	Paid W. L. King, traveling expenses	75.00
1900—Dec. 22.	Received from G. M. McCauley, account of guaranty fund	500.00
1902—Jan. 24.	Received from W L. King, treasurer	17,797.03

[Rate, two-tenths per pound.]

1902	Overshipment.	Undershipment.	Amount due association.	Amount due from association.
January	623,114	.....	$1,246.23	.....
February	3,358,522	.....	6,717.04	.....
March	3,056,427	.....	6,112.85	.....
April	.....	623,810	.....	$1,267.62
May	.....	2,675,714	.....	5,351.43
June	2,867,538	.....	5,735.08	.....
July	.....	397,339	.....	794.68
August	.....	1,448,255	.....	2,896.51
September	.....	9,389	.....	18.78
October	3,210,699	.....	6,421.40	.....
November	4,263,794	.....	8,527.59	.....
December	5,700,594	.....	11,401.19	.....
Total	.....	.....	46,161.33	10,329.02
Balance due association	.....	.....	35,832.36	.....

February 20, 1902, paid W. L. King, treasurer, $1,246.23.
January 16, 1904, paid W. L. King, treasurer, $34,586.13.

PLATE ASSOCIATION RECORD.

[Rate, one-tenth per pound.]

1903	Overshipment.	Undershipment.	Amount due association.	Amount due from association
January	.....	184,134	.....	$184.13
February	3,720,194	.....	$3,720.19	.....
March	1,784,687	.....	1,784.69	.....
April	2,002,234	.....	2,002.24	.....
May	.....	1,497,917	.....	1,497.92
June	3,663,886	.....	3,663.89	.....
July	1,438,802	.....	1,438.80	.....
August	5,408,594	.....	5,408.59	.....
September	5,657,827	.....	5,657.83	.....
October	.....	5,819,814	.....	5,819.81
November	.....	1,095,935	.....	1,095.93
December	1,250,161	.....	1,250.16	.....
Total	.....	.....	24,926.39	8,597.79
Balance due association	.....	.....	16,328.60	.....

January 20, 1905, paid to W. L. King, treasurer, $16,328.60.

[Rate, one-tenth per pound.]

1904	Overshipment.	Undershipment.	Amount due association.	Amount due from association.
January	.....	1,548,505	.....	$1,548.50
February	.....	3,384,952	.....	3,384.95
March	.....	491,879	.....	491.88
April	.....	4,259,367	.....	4,259.37
May	.....	504,485	.....	504.48
June	.....	1,204,364	.....	1,204.36
July	.....	2,430,141	.....	2,430.14
August	.....	3,163,816	.....	3,163.82
September	3,984,355	.....	$3,984.36	.....
October	3,821,694	.....	3,821.69	.....
November	2,738,286	.....	2,738.29	.....
December	1,308,691	.....	1,308.69	.....
Total	.....	.....	11,853.03	16,987.50
Balance due from association	.....	.....	.....	5,134.47

February 24, 1905, received from W. L. King, treasurer, $5,134.47.

The CHAIRMAN. This purports to be an account of Jones & Laughlin with the Plate Association?

Mr. MORELAND. Yes, sir; as prepared by our auditor from the books.

The CHAIRMAN. As prepared by your auditor from the books?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. This shows all amounts paid by you?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. This shows all amounts paid by you for the traveling expenses of the treasurer, for the guaranty fund, whatever that is, and accounts of your shipments, your overshipments and undershipments, the rate per pound on overshipments, the amount due the association, and the amount due from the association to you, the balance due the association; it shows the history of your entire transactions from November 2, 1900, to February 24, 1905?

Mr. MORELAND. Yes, sir.

Mr. YOUNG. I would like to ask if the last payment to the Jones & Laughlin Co. of $5,134.47 just balances the account, or leaves a balance one way or the other?

The CHAIRMAN. It balances the account; cleans it up.

Now, I find in this printed Agreement A that it was the duty of Jones & Laughlin, the Carnegie Steel Co., the Illinois Steel Co., and others, to pay the expenses of the officers of this association?

Mr. MORELAND. I do not know anything about the details.

The CHAIRMAN. All you know——

Mr. MORELAND (interposing). I knew, in a general way, that there was something, from the books of the company and from the vouchers.

The CHAIRMAN. The books of the company show that the expenses of certain officers of this Steel Plate Association were paid in part by Jones & Laughlin?

Mr. MORELAND. From that statement prepared by the auditor.

The CHAIRMAN. Did you not know in a general way of the existence of this agreement?

Mr. MORELAND. I can not say that I did; I have no recollection.

The CHAIRMAN. Did you hear, between the years 1900 and 1905, that there was a steel-plate pool of which Jones & Laughlin were a party?

Mr. MORELAND. I knew there was a pool, in a general way.

The CHAIRMAN. What, in a general way, did you know about the purposes of the association?

Mr. MORELAND. I did not know anything of the purposes.

The CHAIRMAN. And the powers?

Mr. MORELAND. No, sir.

The CHAIRMAN. And the officers?

Mr. MORELAND. I knew that Mr. King, our vice president, was the treasurer.

The CHAIRMAN. You knew that Mr. King, the vice president of your company, was the treasurer of this association?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. You knew that you accounted to him for all shipments you made, did you not?

Mr. MORELAND. From the books.

The CHAIRMAN. You knew if you shipped more than a certain amount that you paid a penalty to the association?

Mr. MORELAND. No; I did not.

The CHAIRMAN. The books show that?

Mr. MORELAND. That is all I know—from the general books of the company.

The CHAIRMAN. You signed checks payable to Willis L. King, treasurer?

Mr. MORELAND. Yes, sir. I approved those vouchers. They came to me in the regular way, authenticated by the auditor of the company, just the same as I approve any other account.

The CHAIRMAN. When you approved these vouchers, did you not know what the vouchers were for?

Mr. MORELAND. Just from reading them when they came authenticated by the auditor, like every other account. We did not go beyond that.

The CHAIRMAN. Who prepared these vouchers?

Mr. MORELAND. I presume the auditor.

The CHAIRMAN. Now, you kept on your books a careful statement of all over shipments and under shipments, over and under what?

Mr. MORELAND. That is all I know, what is in that statement.

The CHAIRMAN. In a general way, did you not know whether this was over your proportion of the pool?

Mr. MORELAND. I have no recollection.

The CHAIRMAN. You were just the secretary of the company?

Mr. MORELAND. The secretary of the company; yes, sir.

The CHAIRMAN. Do you keep the minutes of Jones & Laughlin?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. The minutes of the board of directors?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. And the minutes of the executive committee?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. And you keep the minutes of the finance committee?

Mr. MORELAND. We have no finance committee.

The CHAIRMAN. In the meetings of the board of directors and in the executive committee did they not discuss over and over this matter; do not your minutes show that they discussed it over and over again?

Mr. MORELAND. No, sir.

The CHAIRMAN. Both in the written minutes and the oral discussion not incorporated in the minutes, the advantages and disadvantages of this pool?

Mr. MORELAND. No, sir; I never heard it discussed in our meetings, and there is no minute, to my recollection.

The CHAIRMAN. In this matter, so vital to your company, before you went into this pool, did not your executive committee and your board of directors discuss the propriety of going into an arrangement that should fix their output at 4.75 per cent of a total of 100 per cent of the 11 companies associated together for the purpose of restricting output?

Mr. MORELAND. I never heard it discussed. In 1900, when it was Jones & Laughlin (Ltd.), there was an advisory board, not an executive committee.

The CHAIRMAN. Were you the secretary of that?
Mr. MORELAND. Yes, sir.
The CHAIRMAN. Did the advisory board discuss it?
Mr. MORELAND. No, sir. I never heard it mentioned in our meetings.
The CHAIRMAN. Or anywhere else?
Mr. MORELAND. I have no recollection.
The CHAIRMAN. Do you mean to state, under oath, that you had no knowledge, direct or indirect, that these transactions related to a pool by which Jones & Laughlin were entitled to a certain per cent of the output, and were entitled to receive compensation if they fell below, and were expected to pay a bonus if they exceeded the output?
Mr. MORELAND. I know in a general way that there was something, but I did not have anything to do with the details of the business.
The CHAIRMAN. Did you ever make inquiry for a copy of this agreement?
Mr. MORELAND. Yes, sir.
The CHAIRMAN. And you could not find it?
Mr. MORELAND. No, sir.
The CHAIRMAN. When did you look for it?
Mr. MORELAND. On Friday and Saturday.
The CHAIRMAN. Did you make a diligent search?
Mr. MORELAND. Yes, sir; all through my files.
The CHAIRMAN. Had anybody abstracted it from the files; did you miss it?
Mr. MORELAND. No, sir.
The CHAIRMAN. Do you know what became of it?
Mr. MORELAND. I do not.
The CHAIRMAN. It used to be there?
Mr. MORELAND. Not in my files.
The CHAIRMAN. You have seen it?
Mr. MORELAND. I have no recollection of ever seeing it.
The CHAIRMAN. Please look at this, and see if it looks like a familiar face? [Handing witness printed agreement.]
Mr. MORELAND (after examining printed agreement). No, sir; I have no recollection of ever having seen it.
The CHAIRMAN. Now, have you any other document or paper of any kind?
Mr. MORELAND. No, sir; I have nothing else.
Mr. LITTLETON. Did you search for Agreement B, which was called for in the subpœna?
Mr. MORELAND. I searched for everything in relation to the Plate Association myself, and I had the auditing department search also, and that is the result of our search.
Mr. LITTLETON. Did you know generally of the existence of what is referred to as Agreement B?
Mr. MORELAND. No, sir.
Mr. LITTLETON. Have you read the agreement which has been shown to you?
Mr. MORELAND. No, sir.
Mr. LITTLETON. Since you came here?
Mr. MORELAND. No, sir.
Mr. LITTLETON. Are these all the vouchers and checks which you had in your files as showing payments to this association?

Mr. MORELAND. Yes, sir.

Mr. LITTLETON. Do they cover all that appears upon your books?

Mr. MORELAND. Yes, sir; except those traveling expenses as explained in that paper which were credited to Mr. King's personal account. I think it is marked in lead pencil—a few dollars.

Mr. LITTLETON. It appears that in 1905 there was a check issued and a voucher returned with receipt for payments which were due the association for 1902. In other words, the check in some instances appears to be dated a year and two years later than the time when the payment was due. Do you understand that?

Mr. MORELAND. No, sir; I do not understand why it should be.

Mr. LINDABURY. Is not that about the time when the thing was closed?

Mr. LITTLETON. Here is a check dated January 16, 1904, for $34,586, and it says on the voucher here, "For payment due Plate Association for year 1902." In other words, it seems to be about two years overdue. How do you explain that?

Mr. MORELAND. I know no reason.

Mr. LITTLETON. Was there a policy of holding up payments for a given period of time?

Mr. MORELAND. Not that I know of.

Mr. LITTLETON. I notice another one where the check is for $16,000, dated January 21, 1905. It says on the voucher, "For amount due association for 1903." In each instance there seems to be a lapse of two years. Do you understand that?

Mr. MORELAND. No, sir.

Mr. LITTLETON. Do you know whether there was a general arrangement by which those payments were to be made two years after they had accrued?

Mr. MORELAND. No, sir. I know of no arrangement at all.

Mr. LITTLETON. The two smaller checks appear to be for $1,246.23, dated February 20, 1902, and that one is for "Plate Association charge for January, 1902." Do you know what a Plate Association charge is?

Mr. MORELAND. No, sir.

Mr. LITTLETON. You signed one of them November 1, 1900, "For cash for guarantee fund." Do you know what the guarantee fund was?

Mr. MORELAND. No, sir.

Mr. LITTLETON. Do you know what any of the items were represented in the vouchers?

Mr. MORELAND. All I know is what appears on the vouchers.

Mr. LITTLETON. You were asked in the subpœna to produce, in addition to these other papers, "all orders drawn in pursuance of the agreement of date November 9, 1900, to the order of T. Mellon & Sons, in payment of any of the indebtedness arising under said agreement, and deposited by the treasurer in the said T. Mellon & Sons' Bank." Do you know about the fact that the Plate Association had an account with T. Mellon & Sons' Bank?

Mr. MORELAND. No, sir.

Mr. LITTLETON. Do you know where the association kept its account?

Mr. MORELAND. No, sir; I have no knowledge.

Mr. LITTLETON. Mr. King would keep that account for them?

Mr. MORELAND. Mr. King would do that; yes, sir.

Mr. LINDABURY. I have learned since yesterday that they kept an account also with the Pittsburg Trust Co.

Mr. WILSON. I think that is the same account, transferred from Mellon & Sons later to the Pittsburg Trust Co.

The CHAIRMAN. Is that the Pittsburg Trust Co. or the Union Trust Co.?

Mr. WILSON. The Pittsburg Trust Co.

The CHAIRMAN. Who is the president and the cashier of the Pittsburg Trust Co.?

Mr. WILSON. The president is James I. Buchanan; the vice president is Charles H. Hayes; and the treasurer, B. Gregg McKee.

Mr. BEALL. Do you know W. C. Temple?

Mr. MORELAND. Yes, sir; I know him.

Mr. BEALL. Were you acquainted with him from 1900 to 1905?

Mr. MORELAND. Yes, sir.

Mr. BEALL. Did you have anything to do with making monthly reports to him about business transacted by your company?

Mr. MORELAND. No, sir.

Mr. BEALL. Do you know who made those reports?

Mr. MORELAND. I am under an impression that Mr. King did.

Mr. BEALL. You have seen the reports?

Mr. MORELAND. I would not say certainly; I think, possibly, I have.

Mr. BEALL. Can you give the committee any idea what they contain?

Mr. MORELAND. No, sir.

Mr. BEALL. Refreshing your recollection, did they not contain a statement of the amount of business done each month and the amount of output?

Mr. MORELAND. I could not say.

Mr. BEALL. Whose duty would it be ordinarily to prepare reports of that sort? Mr. King would not do the clerical work?

Mr. MORELAND. That would possibly be done by either our order department or the accounting department—possibly the accounting department.

Mr. GARDNER. The auditing department or order department?

Mr. MORELAND. Order or accounting department. I think it would be the accounting department.

Mr. LINDABURY. I think those accounts are all here. Witnesses have them, and so you will have the originals.

Mr. YOUNG. Are they all here for Jones & Laughlin?

Mr. LINDABURY. I mean Mr. King got the reports from all the members, and then tabulated them and sent them out, as stated yesterday. They are not all of them here, but duplicates of all of them are here; that is, those sent to some of the people who are witnesses, and you will have a full set of the reports.

The CHAIRMAN. You spoke of Mr. King being in Brussels.

Mr. MORELAND. He was in Brussels.

The CHAIRMAN. A delegate to the conference?

Mr. MORELAND. I do not know whether he was a delegate or not. I know he attended the conference.

The CHAIRMAN. The vice president of the company with which you are associated?

Mr. MORELAND. Yes, sir.

The CHAIRMAN. Who appoints the delegates to Brussels from this country?

Mr. MORELAND. I do not know.

The CHAIRMAN. He is one of those international-agreement fellows now?

Mr. MORELAND. He is over there.

The CHAIRMAN. Do you know whether he took a copy of this contract when he went?

Mr. MORELAND. I do not.

Mr. YOUNG. Just a moment. Mr. Moreland, I notice that for the year 1902 the rate per pound on these overshipments and undershipments was two-tenths of a cent, while for the latter years it is one-tenth of a cent per pound. Do you know why the change was made?

Mr. MORELAND. No, sir.

Mr. YOUNG. Do you remember anything about it?

Mr. MORELAND. No, sir.

Mr. YOUNG. Do you know whether at that time the rate was 0.35 cent per pound?

Mr. MORELAND. No, sir; I have no recollection of it.

Mr. YOUNG. You say you knew that there was some sort of an association, but you did not know the particulars?

Mr. MORELAND. Yes, sir.

Mr. YOUNG. And you knew that Jones & Laughlin were parties to it?

Mr. MORELAND. Yes, sir; from the records passing through my hands.

Mr. YOUNG. They received regularly statements of the sales of other companies?

Mr. MORELAND. I would not know that.

Mr. YOUNG. Where would those go?

Mr. MORELAND. If there were any, they would go to Mr. King.

Mr. YOUNG. Why to Mr. King?

Mr. MORELAND. Because he was the head of our sales department.

Mr. YOUNG. They would go to the head of the sales department?

Mr. MORELAND. Yes, sir.

Mr. YOUNG. Were you the custodian of all the records of the company?

Mr. MORELAND. Not of the sales department; only possibly a contract or two, a few contracts of years' standing go to the sales department.

Mr. YOUNG. You remember of this matter being closed out in February, 1905?

Mr. MORELAND. I have no recollection of that, except that the books show it.

Mr. YOUNG. Have you not any recollection as to what reasons led up to a change at that time?

Mr. MORELAND. No, sir.

Mr. GARDNER. Do you know what other companies were in the Plate Association?

Mr. MORELAND. No, sir; I have no knowledge.

Mr. GARDNER. In answering Mr. Beall, you said that you knew that Mr. King had made certain reports to Mr. Temple?

Mr. MORELAND. I think I said that it was my impression that he did.

Mr. GARDNER. You know that somebody from your company made reports to Mr. Temple?

Mr. MORELAND. I think possibly they did.

Mr. GARDNER. Do you not know it to the best of your knowledge and belief?

Mr. MORELAND. I would think they did. I would not like to say positively, but I think they were made.

Mr. YOUNG. There would be no basis for making the payments, unless reports were made?

Mr. MORELAND. That is the reason I say that I was under the impression.

Mr. WILSON. May I inquire whether Mr. Moreland will be needed further?

The CHAIRMAN. You are the attorney for the Jones & Laughlin Steel Co. and Mr. Moreland?

Mr. WILSON. Yes, sir.

The CHAIRMAN. Have you any objection to having the representatives of this committee examine the minutes of your company?

Mr. WILSON. I hardly know how to answer that question. I would not like to answer it without some conference with Mr. Jones.

The CHAIRMAN. All right.

Mr. WILSON. I will speak with Mr. Jones, if you desire.

The CHAIRMAN. I do not know that we will want to do that, even if we have the authority.

Mr. WILSON. Very well.

The CHAIRMAN. Mr. Huston, will you please take the stand?

STATEMENT OF A. F. HUSTON.

(The witness was duly affirmed by the chairman.)

Mr. BEALL. You are connected with the Lukens Iron & Steel Co.?

Mr. HUSTON. Yes, sir.

Mr. BEALL. How long have you been connected with it?

Mr. HUSTON. Well, for 39 years; about.

Mr. BEALL. In what capacity now?

Mr. HUSTON. I am president.

Mr. BEALL. What relation did you bear to it in 1900?

Mr. HUSTON. I was the president.

Mr. BEALL. Did you ever see an agreement like that before, Mr. Huston? [Handing witness copy of printed agreement.]

Mr. HUSTON (after examining agreement). Yes, sir.

Mr. BEALL. Who prepared that agreement?

Mr. HUSTON. I do not know, sir.

Mr. BEALL. When did you first see it?

Mr. HUSTON. When it came from the printer.

Mr. BEALL. Who carried it to the printer?

Mr. HUSTON. You mean the manuscript?

Mr. BEALL. Yes, sir.

Mr. HUSTON. I can not say. I presume I sent it by messenger.

Mr. BEALL. Where did you get it?

Mr. HUSTON. I can not say who I received it from.

Mr. BEALL. Did you receive it by mail?

Mr. HUSTON. Very likely.

Mr. BEALL. What was your impression as to who you received it from?

Mr. HUSTON. I suppose I received it from the secretary.

Mr. BEALL. The secretary of what?

Mr. HUSTON. The association referred to.

Mr. BEALL. Who was the secretary, Mr. Temple?

Mr. HUSTON. William C. Temple.

Mr. BEALL. Called in this agreement the commissioner, I believe. Before you saw this manuscript, had you heard anything about the contemplated organization of an association of this kind?

Mr. HUSTON. Before I saw it?

Mr. BEALL. Yes, sir.

Mr. HUSTON. Yes, sir.

Mr. BEALL. Had you taken part in a conference looking to the organization?

Mr. HUSTON. Yes, sir; I did.

Mr. BEALL. Where?

Mr. HUSTON. In New York.

Mr. BEALL. With whom?

Mr. HUSTON. The parties mentioned.

Mr. BEALL. Representatives of all these concerns?

Mr. HUSTON. Yes, sir; as far as I recall.

Mr. BEALL. When was the conference?

Mr. HUSTON. Sometime in the fall of 1900, I think.

Mr. BEALL. Can you recall now the names of any of the gentlemen who took part in that conference? Who represented the Carnegie Steel Co.?

Mr. HUSTON. Mr. Schwab.

Mr. BEALL. Who represented your company; you did?

Mr. HUSTON. Yes, sir.

Mr. BEALL. Who represented the Jones & Laughlin Co.?

Mr. HUSTON. Willis King, I think.

Mr. BEALL. And the Illinois Steel Co.?

Mr. HUSTON. Mr. Buffington was the common representative, and I presume he was there.

Mr. BEALL. And the Crucible Steel Co.?

Mr. HUSTON. W. C. Park.

Mr. BEALL. And the Otis Steel Co.?

Mr. HUSTON. I think Mr. Bartol.

Mr. BEALL. And the Tidewater Steel Co.?

Mr. HUSTON. I can not recall the name of the then president.

Mr. BEALL. You represented your company?

Mr. HUSTON. I did.

Mr. BEALL. And the Worth Bros. Co.?

Mr. HUSTON. William P. Worth.

Mr. BEALL. And the Central Iron & Steel Co.?

Mr. HUSTON. Mr. G. M. McCauley, at that time, since deceased.

Mr. BEALL. And the American Steel & Wire Co.?

Mr. HUSTON. I think Mr. Hirsh.

Mr. BEALL. And the Glasgow Iron Co.?

Mr. HUSTON. Probably Mr. Shoemaker.

Mr. BEALL. Where did you meet in New York?

Mr. HUSTON. Where?

Mr. BEALL. Yes, sir.
Mr. HUSTON. I think it was at one of the hotels.
Mr. BEALL. What hotel?
Mr. HUSTON. The Waldorf, as I recall.
Mr. BEALL. That was in the autumn of 1900?
Mr. HUSTON. Yes, sir.
Mr. BEALL. How long before this agreement was printed?
Mr. HUSTON. I can not recall, probably not more than a month, though I can not state that positively.
Mr. BEALL. What was that meeting for?
Mr. HUSTON. That meeting was to try to avoid destructive competition, and to put it plainly, I may state here, if you please, that we had gone through during 1899—we did have some active business prior to that—we had a period of destructive competition, and I shall never forget the years from 1892 to 1896, when common labor was 90 cents to $1 a day, and steel plates were less than a cent a pound about that time and they counted ore and coal as worthless in the ground, did not count the cost in the ground, and when 9 out of every 10 men in the steel business failed. So this was an effort at life-saving, to establish and maintain reasonable rates. The rates were put up slightly. Then again, in 1904, when there was a depression, prices were put down. There were times when the market price, the supply-and-demand price, ran the price up many dollars above the price fixed by the Plate Association, but the price remained at that point. Some of the independents got extras where they could make quick delivery. I will say for the corporation that to my best knowledge and belief they never charged a cent above the price, although they could have had probably $5 or $10 a ton.
Mr. BEALL. You mean your corporation?
Mr. HUSTON. No; the United States Steel Corporation.
Mr. BEALL. When was your company organized?
Mr. HUSTON. In 1890; it was a partnership prior to that.
Mr. BEALL. What was the capital stock in 1890, at the time you organized?
Mr. HUSTON. $500,000 capital.
Mr. BEALL. Did you have property to represent that valuation?
Mr. HUSTON. Yes, sir.
Mr. BEALL. What was the capital stock in 1900?
Mr. HUSTON. It is still the same to-day; it has never been changed.
Mr. BEALL. What is the property worth now?
Mr. HUSTON. The accumulated profits were carried on as surplus and were not capitalized—simply carried as surplus. We are a close corporation—it is a family affair.
Mr. BEALL. What is your property worth now?
Mr. HUSTON. That would be a matter of opinion.
Mr. BEALL. Well, what is your opinion?
Mr. HUSTON. I should say the property was worth—well, I can say that many years ago we had an offer to sell for $8,000,000.
Mr. BEALL. How many years ago?
Mr. HUSTON. I do not know.
Mr. BEALL. What was it worth in 1900?
Mr. HUSTON. I can not say.
Mr. BEALL. How soon after 1900 were you offered $8,000,000?

Mr. HUSTON. No; I can not say that we were offered $8,000,000. Perhaps I can answer your question better by saying that according to my best recollection the book value is something over $6,000,000.

Mr. BEALL. The book value is something over $6,000,000?

Mr. HUSTON. Yes, sir.

Mr. BEALL. What is the stock worth, what is it selling at?

Mr. HUSTON. There has been no stock sold for a long, long time.

Mr. BEALL. What has been the asking price?

Mr. HUSTON. No asking or selling. It is a close corporation, and no stock has changed hands for years, to the best of my knowledge.

Mr. BEALL. You were incorporated in 1890?

Mr. HUSTON. Yes, sir.

Mr. BEALL. With $500,000 of capital stock?

Mr. HUSTON. Yes, sir.

Mr. BEALL. And you had property at that time that represented the $500,000?

Mr. LINDABURY. I did not understand the witness to say that.

Mr. BEALL. That is what I asked him, if he had the property representing the $500,000. Was $500,000 the value of the property you put into the corporation in 1890?

Mr. HUSTON. To the best of my knowledge and belief.

Mr. GARDNER. Is that the full value?

Mr. HUSTON. I can not answer now the basis on which that was arrived at. I would have to examine the records.

Mr. BEALL. Soon after 1900, you say, that it was estimated to be worth $8,000,000?

Mr. HUSTON. No; I did not say that. I said there was a proposition to close at that, but it did not go through.

Mr. BEALL. Did the proposition come from the corporation or to the corporation?

Mr. HUSTON. Neither. We never had a proposition from the corporation; they never tried to buy.

Mr. BEALL. I did not mean the United States Steel Corporation. Was that a proposition made by your company?

Mr. HUSTON. No, sir. It was more an effort at consolidation, but the matter dropped. Nothing came of it. I see, perhaps, what you are driving at now. That would not be a basis for valuation.

Mr. BEALL. What would be an estimate of the value of that property in 1900?

Mr. HUSTON. I do not know, sir.

Mr. BEALL. How many million dollars?

Mr. HUSTON. I do not know, sir.

Mr. BEALL. Would it be as much as $5,000,000?

Mr. HUSTON. No, sir; I do not think so. I do not know.

Mr. BEALL. Would it be as much as $4,000,000?

Mr. HUSTON. It is purely conjectural; I can not answer offhand about that.

Mr. BEALL. If it was anything like that, an increase from $500,000 to $3,000,000 or $4,000,000 in 10 years, that would not show such a period of depression?

Mr. HUSTON. No; I can say it was not that much; I would be very sure of it.

Mr. BEALL. Come down, now, to what you think it was.

Mr. HUSTON. It is purely conjectural.

Mr. BEALL. As president of the company, you have some idea of the value of that corporation?

Mr. HUSTON. But that is speaking of various periods, and I do not know.

Mr. BEALL. How long after 1900 was it that this proposition of consolidation was made, by which it was proposed to take in the company at $8,000,000?

Mr. HUSTON. How long after what?

Mr. BEALL. 1900.

Mr. HUSTON. A year or two, I suppose.

Mr. BEALL. How many men were employed by you in 1890—have you any idea?

Mr. HUSTON. In 1890?

Mr. BEALL. Yes, sir.

Mr. HUSTON. I can not answer that question offhand.

Mr. BEALL. Could you approximate it?

Mr. HUSTON. No, sir.

Mr. BEALL. Did you have a larger number in 1900?

Mr. HUSTON. Yes, sir; we put up some new mills.

Mr. BEALL. Was your output very much greater in 1900 than in 1890?

Mr. HUSTON. Yes, sir.

Mr. BEALL. These mills that you put up, did you put them up out of the profits that accrued from the business?

Mr. HUSTON. Partly on that, and some money was borrowed.

Mr. BEALL. Do you know what proportion represented the surplus or profits?

Mr. HUSTON. I do not know.

Mr. BEALL. Was it a large part of it or a small part?

Mr. HUSTON. A considerable part of the profits; yes, sir.

Mr. BEALL. I mean the cost of the new mills; were they paid for very largely out of the profits of the concern?

Mr. HUSTON. At that time?

Mr. BEALL. The mills you put up in 1900?

Mr. HUSTON. Yes, sir; I presume they were.

Mr. BEALL. You had been doing a profitable business from 1890 to 1900?

Mr. HUSTON. Part of the time.

Mr. BEALL. What part of the time?

Mr. HUSTON. 1899, as I said, was an active year, and it was probably the best year in our experience.

Mr. BEALL. How about 1900?

Mr. HUSTON. In 1900 business slumped off badly, and it looked like going to the dogs again.

Mr. BEALL. That was 1900?

Mr. HUSTON. Yes, sir.

Mr. BEALL. What kind of labor do you employ in your mill?

Mr. HUSTON. We have some American labor, we have some Poles and Hungarians, some Germans, and very few Italians, if any.

Mr. BEALL. About how many men have you employed now?

Mr. HUSTON. I should guess about fifteen or sixteen hundred. We are not running full; it is a dull period.

Mr. BEALL. How many Americans have you in the mills now?

Mr. HUSTON. I can not answer that. We have quite a number of Americans.

Mr. BEALL. What per cent, can you form any idea?

Mr. HUSTON. I do not know.

Mr. BEALL. As much as 10 per cent?

Mr. HUSTON. Much more.

Mr. BEALL. As much as 20 per cent?

Mr. HUSTON. It is purely conjectural.

Mr. BEALL. We have no basis of knowledge at all.

Mr. HUSTON. When it comes to giving statistics offhand, it is very difficult.

Mr. BEALL. I appreciate that, but can you not approximate it?

Mr. HUSTON. I should guess that one-half of the men were Americans. Well, if you mean German-Americans and Irish-Americans—you mean American-born?

Mr. BEALL. Well, take up first American-born.

Mr. HUSTON. I presume much more than half are.

Mr. GARDNER. American citizens?

Mr. BEALL. American citizens?

Mr. HUSTON. I think much more than half are American citizens.

Mr. BEALL. When you went into this agreement in about 1900, the employees in your mills were almost entirely Americans, were they not?

Mr. HUSTON. No, sir; not almost entirely.

Mr. BEALL. At that time there was a much larger percentage of American labor than now?

Mr. HUSTON. I can not answer that question, sir.

Mr. BEALL. And since 1900 you have been trying to employ labor as cheaply as you could, getting the cheapest possible labor?

Mr. HUSTON. No, sir; we do not count the cheapest labor the best labor.

Mr. BEALL. What do you pay—what is the rate of wages?

Mr. HUSTON. Ordinary labor is paid from $1.35 to $2, according to the ability of the man, and skilled labor is paid much higher.

Mr. BEALL. What is the highest price that you pay skilled labor?

Mr. HUSTON. I suppose in the manufacture——

Mr. LINDABURY. I think I ought to enter an objection to this line of inquiry, as quite outside of the resolution of the House of Representatives, as I understand it.

The CHAIRMAN. It has to do with the cost. This man is an independent absolutely, and his testimony will not affect the United States Steel Corporation.

Mr. HUSTON. It seems to me that we ought to stick to the point in question. If I do not have to answer such questions——

The CHAIRMAN. I am the judge of it, and not Mr. Lindabury.

Mr. HUSTON. Certainly.

Mr. BEALL. What is the highest price that you pay to skilled labor?

Mr. HUSTON. I can not answer that positively, but I should guess about $6 a day for steel manufacture.

Mr. BEALL. That is the highest type of skilled labor?

Mr. HUSTON. I will not say that. That is a guess on my part. I am not in the operating department of the work. My brother looks after that. So I can not answer that offhand.

Mr. BEALL. At the time you met in New York, did you have an attorney with you?

Mr. HUSTON. No, sir; not that I recollect.

Mr. BEALL. Were you not in consultation with some attorney?

Mr. HUSTON. I do not recollect any.

Mr. BEALL. Did you have advice from some attorney?

Mr. HUSTON. They may have been advice.

Mr. BEALL. You would not enter into this form of an agreement without being advised by somebody?

Mr. HUSTON. There may have been advice taken, but I was not present.

Mr. BEALL. Do you know who prepared this agreement?

Mr. HUSTON. No, sir.

Mr. BEALL. Was somebody designated by the conference to prepare it?

Mr. HUSTON. I do not recall that there was.

Mr. BEALL. Do you have any idea how it happened to be prepared?

Mr. HUSTON. I presume by some of the members, but I do not know who.

Mr. BEALL. You think that some of the members who were in attendance upon this conference did the actual work of preparing this agreement?

Mr. HUSTON. I do not know, sir.

Mr. BEALL. Was nothing said about who prepared it?

Mr. HUSTON. There may have been, but I do not recall it.

Mr. BEALL. Why was the copy sent to you?

Mr. HUSTON. I was just asked to have it printed.

Mr. BEALL. Who asked you?

Mr. HUSTON. I do not know. As I said a moment ago, I can not testify at this late date.

Mr. BEALL. Do you know why a copy would be sent down to you from New York—you live at Coatesville?

Mr. HUSTON, Yes, sir.

Mr. BEALL. Do you know why it was sent to you to be printed?

Mr. HUSTON. It might have been handed to me when in New York. I do not remember how I got it.

Mr. BEALL. But you did receive it with instructions to have it printed?

Mr. HUSTON, Yes, sir.

Mr. BEALL. And you sent it to Mr. Kauffman to have it printed?

Mr. HUSTON. Yes, sir. That would be the natural thing if I were to have it printed.

Mr. BEALL. I am not complaining of your selection. This is as it came from the printer?

Mr. HUSTON, Yes, sir.

Mr. BEALL. After you received it from the printer, what did you do with it?

Mr. HUSTON. The copies were sent out.

Mr. BEALL. To whom?

Mr. HUSTON. To each of those mentioned there.

Mr. BEALL. For what purpose?

Mr. HUSTON. For consideration; to look it over.

Mr. BEALL. And what else?

Mr. HUSTON. What else?
Mr. BEALL. Yes; what other purpose?
Mr. HUSTON. And if it was considered proper to sign it.
Mr. BEALL. It had been already considered?
Mr. HUSTON. I do not think it had been submitted.
Mr. BEALL. That is, the manuscript copy of the actual agreement had not been submitted to the parties?
Mr. HUSTON. I do not think so.
Mr. BEALL. At the conference you had agreed among yourselves as to what kind of an association you would form?
Mr. HUSTON. I think so.
Mr. BEALL. And you had agreed generally as to the terms of it?
Mr. HUSTON. I suppose so.
Mr. BEALL. Had you agreed as to the percentages of the output that each man was to control?
Mr. HUSTON. I think so.
Mr. BEALL. Had you agreed on the officers?
Mr. HUSTON. I do not recall at that time whether we had or not.
Mr. BEALL. Did you have more than one meeting?
Mr. HUSTON. Yes.
Mr. BEALL. Where did you meet the next time?
Mr. HUSTON. At the same place.
Mr. BEALL. Were the same parties present?
Mr. HUSTON. I can not say. Of course in a general way they were. There might have been some differences.
Mr. BEALL. Had the agreement been prepared then—the manuscript of it?
Mr. HUSTON. I do not think it had at the second meeting.
Mr. BEALL. At that second meeting was any attorney present advising you?
Mr. HUSTON. I think not.
Mr. BEALL. So far as your recollection goes was there any reference to any attorney?
Mr. HUSTON. I do not recall any.
Mr. BEALL. Was there any statement made as to who was to prepare the agreement at that meeting?
Mr. HUSTON. There may have been, but I can not recollect.
Mr. BEALL. Have you any recollection of any such statement?
Mr. HUSTON. No, sir.
Mr. BEALL. Did you have another meeting?
Mr. HUSTON. There were meetings held at different periods afterwards, but I do not know how many were required before this was made operative.
Mr. BEALL. Mr. Schwab was at that meeting, was he not?
Mr. HUSTON. Yes.
Mr. BEALL. At that meeting did not Mr. Schwab say something to the effect that he would have certain attorneys prepare this agreement?
Mr. HUSTON. I do not know. I do not recall it.
Mr. BEALL. That he would have the attorney for the Carnegie Co. prepare it?
Mr. HUSTON. I do not recall it.
Mr. BEALL. How many meetings did you say you had before you received the manuscript of the agreement?

Mr. HUSTON. I say there may have been three, but I do not recall but two. I do not recall but two, but there may have been three, before this was gotten out.

Mr. BEALL. When you sent this agreement around to these different companies, you say it was for consideration? It was also to be signed by them, was it not?

Mr. HUSTON. I presume so.

Mr. BEALL. Do you not know so?

Mr. HUSTON. I do not recall now. I presume it was to be signed.

Mr. BEALL. Do you not know that that was your purpose in sending it, that they were expected to sign it?

Mr. HUSTON. I think so.

Mr. BEALL. Did your company ever sign one of them?

Mr. HUSTON. I do not remember ever signing it.

Mr. BEALL. How long after you sent this agreement out to these different companies before it was recalled?

Mr. HUSTON. Very promptly; I could not say. Within a few days; I do not exactly know now.

Mr. BEALL. How many of them had been returned signed?

Mr. HUSTON. I do not know now. I got all that I had sent out, as I recall it.

Mr. BEALL. When they were returned, had they been signed?

Mr. HUSTON. I think some had and some had not.

Mr. BEALL. Some had not?

Mr. HUSTON. As I recall it.

Mr. BEALL. Why did you request the return of them?

Mr. HUSTON. I was advised that the thing—that it was in improper form.

Mr. BEALL. Advised by whom?

Mr. HUSTON. I do not know. I got that information; I do not know where from, now.

Mr. BEALL. Where did it come from?

Mr. HUSTON. It might have come from our secretary; I do not recall.

Mr. BEALL. What was the nature of the advice you received?

Mr. HUSTON. That the paper was in improper form. I can not tell you, now, the exact wording used in that.

Mr. BEALL. Did you understand what was meant by improper form?

Mr. HUSTON. As I say, I can not recall just how the framing was.

Mr. BEALL. What did you understand by the statement that it was improper form?

Mr. HUSTON. Well, that it needed to be changed. They wanted to write another one in different form.

Mr. BEALL. Was it the understanding that just the proper verbiage had not been used, or that it failed to include all the elements of the agreement, or that some of them were improperly expressed, and did not represent what you had agreed on? Was that it?

Mr. HUSTON. I do not think there was anything added to it, but I think probably there were changes made in it. I do not recollect what now.

Mr. BEALL. Do you know, in a general way, what objection there was to this agreement as you had it printed?

Mr. HUSTON. No; I do not.

Mr. BEALL. Was it regarded as illegal? Was that the objection to it?

Mr. HUSTON. I do not recollect now. There may have been such a remark made.

Mr. BEALL. But whatever the objection was, it induced you to ask that all these copies be returned?

Mr. HUSTON. Yes.

Mr. BEALL. How many did you have printed originally?

Mr. HUSTON. I do not know. There were a number of extras that were not sent out.

Mr. BEALL. Those extras were in your office?

Mr. HUSTON. No.

Mr. BEALL. Where were they?

Mr. HUSTON. They were at that time, I presume.

Mr. BEALL. They were at that time?

Mr. HUSTON. I think so.

Mr. BEALL. Well, after these that you had sent out had been returned, what did you do?

Mr. HUSTON. They were returned, and they were destroyed.

Mr. BEALL. How did you destroy them?

Mr. HUSTON. They were probably burned.

Mr. BEALL. Who burned them?

Mr. HUSTON. I do not recollect just who burned them.

Mr. BEALL. Were they burned under your direction?

Mr. HUSTON. Very likely.

Mr. BEALL. Why were they burned?

Mr. HUSTON. Because another was to take its place.

Mr. BEALL. Well, why did you resort to that particular method of destroying them?

Mr. HUSTON. I suppose it is the easiest way to destroy a bunch of papers.

Mr. BEALL. Is that the usual way?

Mr. HUSTON. Yes.

Mr. BEALL. Of destroying waste papers in your office?

Mr. HUSTON. Yes; we generally burn the waste papers. We do not want them to fly around indiscriminately.

Mr. BEALL. Did you burn all that were in your office?

Mr. HUSTON. Yes; and we sent down to the printing office.

The CHAIRMAN. Who was it that went down to the printing office to see if there were any copies left there?

Mr. HUSTON. I think Mr. Van Ormer.

Mr. BEALL. You think Mr. Van Ormer?

Mr. HUSTON. Probably so.

Mr. BEALL. Who told him to go?

Mr. HUSTON. I probably did.

Mr. BEALL. What instructions did you give him?

Mr. HUSTON. I told him to get all the copies there.

Mr. BEALL. To get all the copies?

Mr. HUSTON. Yes.

Mr. BEALL. As a matter of fact, you were extremely anxious to get all these copies back and destroy them?

Mr. HUSTON. I wanted to destroy them. I have understood since that the printer surreptitiously retained a copy.

Mr. BEALL. Your anxiety was to have all of them destroyed?

Mr. HUSTON. I was anxious to do it. I was acting under instructions.

Mr. BEALL. Who instructed you?

Mr. HUSTON. I do not know whether the instructions came from the secretary, who sent it to me, to get them all back and destroy them. I was not doing it at my own initiative.

Mr. BEALL. You received instructions from somebody to get all of these copies back and then destroy them?

Mr. HUSTON. Yes.

Mr. BEALL. Did that same instruction direct you to destroy them?

Mr. HUSTON. Yes.

Mr. BEALL. When Mr. Van Ormer returned from the printing office, what did he tell you?

Mr. HUSTON. I think he told me that he had gotten them all.

Mr. BEALL. Did he bring back anything?

Mr. HUSTON. I do not remember, now, but I suppose he did.

Mr. BEALL. Did he tell you that he had made a careful search of the printing office, and that they had gotten everything that he could find?

Mr. HUSTON. He probably told me that he could not search there personally, very likely; he had to take the word of Mr. Kauffman that he had gotten every one.

Mr. BEALL. Did he tell you that he had gone into the wastebaskets for them?

Mr. HUSTON. I do not recall anything of that kind.

Mr. BEALL. When was your next agreement signed? When Mr. Van Ormer came back he turned whatever he secured at the printing office over to you?

Mr. HUSTON. I think so.

Mr. BEALL. And that, together with what remained in your office, and those that had been returned, were all burned?

Mr. HUSTON. I think so.

Mr. BEALL. When did you have the next agreement prepared?

Mr. HUSTON. I do not know just how long after that it was; probably not very long.

Mr. BEALL. The same month?

Mr. HUSTON. I think it was within a month.

Mr. BEALL. Where was it prepared?

Mr. HUSTON. I do not know.

Mr. BEALL. Did you see a copy of it?

Mr. HUSTON. I saw one; yes.

Mr. BEALL. Was it sent to you?

Mr. HUSTON. No.

Mr. BEALL. Who gave it to you?

Mr. HUSTON. There was a meeting, as I recall it, in New York, when the different ones saw it and——

Mr. BEALL. Where were you when you signed it?

Mr. HUSTON. In New York, I think.

Mr. BEALL. And representatives of all of these companies signed it at the same time you did?

Mr. HUSTON. I do not know that they all did then. Probably they might not have been there.

Mr. BEALL. All those that were at that meeting signed it?

Mr. HUSTON. Yes.

Mr. BEALL. What attorney was present when you then signed it?
Mr. HUSTON. I do not recall.
Mr. BEALL. Do you recall that any attorney was present?
Mr. HUSTON. I do not think so.
Mr. BEALL. Have you a copy of that agreement now?
Mr. HUSTON. No, sir; nothing that I could identify as such.
Mr. BEALL. What became of that agreement?
Mr. HUSTON. There was only one agreement signed. The secretary, I think, was given charge of that—Mr. Temple.
Mr. BEALL. The secretary of the——
Mr. HUSTON. The association.
Mr. BEALL. Who was that?
Mr. HUSTON. W. C. Temple.
Mr. BEALL. He was in New York at that time.
Mr. HUSTON. No; he was from Pittsburg, I should say; but he came to New York.
Mr. BEALL. Was there any agreement as to where that should be deposited?
Mr. HUSTON. I think not.
Mr. BEALL. Do you know where it was deposited?
Mr. HUSTON. I do not.
Mr. BEALL. Were any duplicates made, within your knowledge?
Mr. HUSTON. I do not know.
Mr. BEALL. Was it printed?
Mr. HUSTON. No, sir; not to the best of my knowledge and belief. It was typewritten, I think.
Mr. BEALL. How was it prepared?
Mr. HUSTON. I think it was typewritten.
Mr. BEALL. At the time this other one was prepared and sent out for signatures, was there any criticism of the fact that you had had it printed?
Mr. HUSTON. I do not remember that. I do not remember any such criticism.
Mr. BEALL. Did you hear anybody state that a document of that sort ought not to have been printed; that it ought to have been typewritten?
Mr. HUSTON. No; I feel confident that there was never any such statement made.
Mr. BEALL. But, as a matter of fact, this second agreement was not printed?
Mr. HUSTON. No, sir.
Mr. BEALL. But it was typewritten and signed by representatives, as you understand, of these 11 companies that are named in this agreement?
Mr. HUSTON. I think so.
Mr. BEALL. This printed agreement refers to an agreement B. Do you know anything about that agreement?
Mr. HUSTON. No; it probably accompanied it.
Mr. BEALL. It accompanied it and was supposed to be a price agreement?
Mr. HUSTON. I do not know whether there was any agreement called Agreement B.
Mr. BEALL. This was evidently printed and is marked "Prices."
Mr. HUSTON. Yes.

Mr. BEALL. Over here in the body of it it talks about an agreement B. It says:

The agreement herein made of percentages, the amount of the guarantee fund as herein provided, and the agreement to maintain minimum fixed rates as covered in agreement B shall not be altered, amended, or changed in any respect, except by the unanimous vote of all parties to this agreement.

You do remember that there was a separate agreement that was to accompany this?

Mr. HUSTON. There was at that time. I do not know what there was in that second one—whether there was or not, but it is very possible.

Mr. BEALL. At the time this agreement A was destroyed was agreement B destroyed also?

Mr. HUSTON. I do not recall that. Very likely it was.

Mr. BEALL. At the time you signed your second agreement was there a second agreement B prepared?

Mr. HUSTON. I do not recall now whether there was or not.

Mr. BEALL. Well, there was some kind of instruction that was supposed to accompany this agreement that was signed?

Mr. HUSTON. Yes. The agreement was changed, but I do not know what the——

Mr. BEALL. The second one that you signed?

Mr. HUSTON. I do not know that it was.

Mr. BEALL. There was some sort of an agreement supplemental to that, covering the question of cost, production, and so forth, was there not?

Mr. HUSTON. I do not know that there was.

Mr. BEALL. Do you know whether that Agreement B was embodied in this new agreement that you signed, so as to make just one instrument?

Mr. HUSTON. I do not know.

Mr. BEALL. Well, after that second agreement was signed you operated under it, did you not?

Mr. HUSTON. Yes.

Mr. BEALL. For how long?

Mr. HUSTON. Oh, I think it ran until the latter part of 1904.

Mr. BEALL. Under that agreement your company was permitted to produce a certain percentage of all the products of these 11 companies, about 7½ per cent, I believe?

Mr. HUSTON. I think that is the figure.

Mr. BEALL. Do you know whether you conformed to that from 1900 to the latter part of 1904?

Mr. HUSTON. We could not conform exactly. The figures varied up or down, month by month, naturally.

Mr. BEALL. If you went beyond that you were penalized?

Mr. HUSTON. Yes, sir.

Mr. BEALL. Did you pay any of those penalties?

Mr. HUSTON. Yes.

Mr. BEALL. How did you pay them?

Mr. HUSTON. By check, by voucher.

Mr. BEALL. Payable to whom?

Mr. HUSTON. Payable to Willis L. King, treasurer.

Mr. BEALL. In any of those months did you come under the 7½ per cent?

Mr. HUSTON. I think so.

Mr. BEALL. What occurred in an instance of that sort?

Mr. HUSTON. Well, it was carried along, the account was carried along, and I think a balance was struck probably at the end of the year, as near as I recollect it.

Mr. BEALL. And if the amount of your penalties exceeded the other, you had to pay Mr. King something?

Mr. HUSTON. I think so.

Mr. BEALL. If the penalty was less than what was due on account of your underproduction, you received something?

Mr. HUSTON. I think so.

Mr. BEALL. Did you receive it in the form of checks from Mr. King?

Mr. HUSTON. I do not know that we ever received any. We paid out, I know; but I do not know that we ever received any.

Mr. BEALL. Where are the checks that you used in making these payments?

Mr. HUSTON. I have them here. The treasurer searched for them, and he told me they were the only ones he could find.

Mr. BEALL. What was the amount of your original deposit to this Plate Association?

Mr. HUSTON. I think it was $7,500.

Mr. BEALL. That was in accordance with the same amount that you would have deposited under the terms of this agreement?

Mr. HUSTON. That is my recollection.

Mr. BEALL. Can you recall in what way the new agreement differed from this agreement?

Mr. HUSTON. No, sir; I do not recall that, sir.

Mr. BEALL. Have you recently read this old Agreement A?

Mr. HUSTON. No, sir; I have not seen it for 11 years, I believe.

Mr. BEALL. Is your recollection good enough to remember now what it contained?

Mr. HUSTON. No, sir.

Mr. BEALL (after examining papers handed to him by Mr. Huston). I notice, dated the 15th day of December, 1900, there is a voucher here for $7,500, payable to Willis L. King, treasurer. Was that your original deposit to the guaranty fund?

Mr. HUSTON. What is the date of it?

Mr. BEALL. The 15th of December, 1900.

Mr. HUSTON. I think it is.

Mr. LINDABURY. Whose check is that, Mr. Beall?

Mr. BEALL. This seems to be a voucher signed by Willis L. King, treasurer Lukens Iron & Steel Co.

Mr. LINDABURY. That is what I meant.

Mr. BEALL. Let me read this to you:

Lukens Iron & Steel Co., Coatesville, Pa., December 15, 1900. No. 22,762. To Willis L. King, treasurer, Pittsburg, Pa.

This voucher is payable in current funds same as a check, at the National Bank of Chester Valley, Coatesville, Pa., when receipted in accordance with the directions below printed in red.

For amount on account, $7,500.

The above account has been duly authorized and examined, and is approved for payment. Approved, A. F. Huston, president; Jos. Humpton, treasurer. Received Pittsburg, December 18, 1900, of the treasurer of the Lukens Iron & Steel Co., seventy-five hundred dollars, in full for the above account. $7,500. Willis L. King, treasurer.

Then, in red ink:

Read this: The above receipt must be dated and signed by the party in whose favor this voucher is made out, or when signed by another party the authority for so doing must in all cases accompany it, and this receipt must not be cut off from the body of the voucher.

On the back it reads:

No. 22762. 12, 17, 1900. Lukens Iron & Steel Co., Coatesville, Pa. Payable to Willis King, treasurer, Pittsburg, Pa. Charge to ——— department, $7,500.

Then below there is the stamp of the Coatesville Bank, "Indorsement guaranteed. The National Bank of Coatesville. M. W. Pownall, cashier."

The next indorsement is dated December 19, 1900, some national bank of Philadelphia, M. G. Clifton, cashier.

The next indorsement is the People's National Bank, Pittsburg, Pa., and the next indorsement is the Pittsburg Trust Co., Pittsburg, Pa., and then the National Bank of Chester Valley, Coatesville, Pa.

That represented your original deposit to the guaranty fund? That is a fact, is it not?

Mr. HUSTON. I think so.

Mr. BEALL. Then there is another voucher dated Coatesville, Pa., December 15, 1900, the same date as the first one, to Willis L. King, treasurer, for $355. Do you know what that represented? It says amount account of expenses.

Mr. HUSTON. Yes. Well, there were general stationery and office expenses, room rent, I suppose, and bookkeeping.

Mr. BEALL. Under the second agreement, then, the different companies entering into it were assessed certain amounts?

Mr. HUSTON. I think they were, aside.

Mr. BEALL. For the payment of expenses?

Mr. HUSTON. I think that they were done separately. I can not state positively from my recollection.

Mr. BEALL. On the 1st day of January, 1900, there is a voucher representing payment to Willis L. King, for amount to adjust account 1st instant as per statement, $3,386.01. What would you understand that to represent?

Mr. HUSTON. Probably that was because we ran beyond our percentage. That is the only explanation I could make, off hand.

Mr. BEALL. Was that probably for the month of January?

Mr. HUSTON. No.

Mr. BEALL. I see it is the 1st month, the 31st day, which would be the 31st of January.

Mr. HUSTON. No; it was probably for the previous year.

Mr. BEALL. The agreement had only been made——

Mr. HUSTON. What date is that?

Mr. BEALL. The 31st of January, 1901. That was within less than two and a half months of your original agreement.

Mr. HUSTON. I could not say what that was.

Mr. BEALL. A month and a half after your original deposit.

Mr. HUSTON. I could not say. I do not know.

Mr. BEALL. Would it be your impression that that represented the penalty upon your excess up to that time?

Mr. HUSTON. We started—it was operative in November and December, 1900, so that that might be for three months.

Mr. BEALL. For three months?

Mr. HUSTON. I am only supposing. I do not know officially, authoritatively.

Mr. BEALL. Then here is another voucher dated Coatesville, Pa., 2 mo., 26, 1901. On the face of it it says, "Amount to adjust account to 1 mo., 31, 1901, as per statement, $8,073.36." It does not say "January 31." It says "1 mo., 31, 1901," which I suppose means January 31, 1901.

Mr. HUSTON. Yes, sir.

Mr. LINDABURY. If you will compare it with the statement prepared, which the witness has, I think you will see.

Mr. BEALL. Have you the statement that is referred to in these vouchers?

Mr. HUSTON. I do not know that I have. What does that say?

Mr. BEALL. It says, "Amount to adjust account to 1 mo., 31, 1901, as per statement, $8,073.36."

Mr. LINDABURY. What I referred to was the King statement. I inferred that that was the statement that they referred to.

Mr. HUSTON. You have a copy of King's statement.

Mr. BEALL. You made monthly statements to King?

Mr. LINDABURY. I beg your pardon, I said King and I should have said Temple.

Mr. BEALL. Yes. You made monthly statements to Temple?

Mr. HUSTON. Yes.

Mr. BEALL. Did you keep copies of those reports?

Mr. HUSTON. I do not know that we did.

Mr. BEALL. Were the original reports ever sent back to you?

Mr. HUSTON. I do not think that they ever were.

Mr. BEALL. Did Temple supply you with a statement each month epitomizing the statements that he had received from those other companies that were in the agreement?

Mr. HUSTON. Yes.

Mr. BEALL. Did you preserve those statements?

Mr. HUSTON. Yes.

Mr. BEALL. Where are they now?

Mr. HUSTON. I have them here.

Mr. BEALL. You have them here?

Mr. HUSTON. Yes, sir.

Mr. BEALL. Would you kindly let us have those statements?

Mr. HUSTON. Yes, sir. [Producing statements.] Here are four. That ends that period. These are merely statistical reports in the last two years.

Mr. LINDABURY. You had better keep those separate, Mr. Huston.

Mr. BEALL. That is, statistical reports furnished to you by Mr. King?

Mr. HUSTON. Yes, sir. I will keep these separate.

Mr. BEALL. You can take charge of those for the present. While I am on this, let me finish with these vouchers. Here is another dated Coatesville, Pa., 4 mo., 1, 1904. Amount for January account, as per statement, $3,907.20. Now, there seems to be no voucher between the date of the 26th of February, 1901, and the 1st day of April, 1904. What would that mean, Mr. Huston?

Mr. HUSTON. I do not know. It might be that one or two checks were not found. The treasurer told me he made a diligent search,

but there was not a great deal of time, and he got all the checks he could find.

Mr. BEALL. It might be, there is some check missing.

Mr. HUSTON. It might be.

Mr. BEALL. Or, if you have all the checks, it might be that between February, 1901, and the period of January, 1904, you might not have produced any more than your percentage allowed?

Mr. HUSTON. That would be the natural inference.

Mr. BEALL. In that event you would not be due, Mr. King, anything?

Mr. HUSTON. No.

Mr. BEALL. The next one is dated Coatesville, Pa., 8 mo., 2, 1904, which would be August 2, 1904. It reads, "Amount to adjust accounts as per statements to date, $9,359.83." You have stated that this agreement continued in operation until some time in 1905?

Mr. HUSTON. I think that the statistics will show that it was wound up at the end of 1904, and the funds were disbursed early in 1905.

Mr. LINDABURY. What is the date of the last one, there?

Mr. BEALL. August 2, 1904. I see statements here for 1901, 1903, and 1904.

Mr. HUSTON. Yes, sir. I think these gentlemen have some.

Mr. BEALL. Oh, yes. These represent all the statements you have, I suppose.

Mr. HUSTON. Yes, sir; we started from the beginning and went to the end of 1904, as I said.

Mr. BEALL. Any after 1904?

Mr. HUSTON. Only these statistical ones.

Mr. BEALL. The first one I see here is headed "Shipments of plate for the 12 months ending October 31, 1901." I believe you stated that this agreement went into effect in November, 1901?

Mr. HUSTON. Yes; November and December of 1900 were in.

Mr. BEALL. I mean 1900?

Mr. HUSTON. Yes.

Mr. BEALL. And this represents the statement of the year, the summary for the year, I suppose. It names the different members, 10 of them. I suppose one of the reports furnished to you by Mr. Temple?

Mr. HUSTON. Yes; I think so.

Mr. BEALL. It first shows the shipments of plate for the 12 months.

Mr. GARDNER. Will you not read the names of those 10 companies?

Mr. BEALL. They are the Carnegie, Jones, Lukens, A. S. & W.—that means the American Steel & Wire, I suppose——

Mr. GARDNER. Yes.

Mr. BEALL. Illinois, Worth, Central, Park, Otis, and Tidewater.

The next statement shows the shipments in tons: Carnegie, 1,241,802,267.

The next column shows the per cent; the Carnegie Co., 52.3 per cent. Coming down to your company, the Lukens, it is 7.7 per cent, which is two-tenths of 1 per cent over your allotment. Shipped net, Carnegie, 1,131,848,926, and Lukens, 152,001,233. Then the per cent is 7—7 per cent net. What does that mean, shipped gross and shipped net?

Mr. HUSTON. Shipped gross and shipped net? Well, that gross, I think, referred to more than one month's period. I think the shipped gross is this, the total amount of material shipped. The shipped net means less the amount of exported material, after deducting exported material, which was not under that.

Mr. BEALL. Under the agreement, where you exported goods you were not required to make these reports?

Mr. HUSTON. No, sir; except to simply mention in a general way the figures, for statistical reference.

Mr. BEALL. And Mr. Temple regarded that as confidential, and did not send it out to the others, did not make any report to the other companies of it?

Mr. HUSTON. Oh, I think he did. I think it is on there. It was at a later date, whether it was then or not. It was reported.

Mr. BEALL. Is any distinction made in this second agreement between sales made on the Pacific coast and sales made in other parts of the country?

Mr. HUSTON. If there was any second agreement, it probably did, because it has always been customary; because we come, there, in direct competition with the foreign goods.

Mr. BEALL. You say if there was any second agreement; I understood you to say there was a second agreement.

Mr. HUSTON. There was this printed one that was destroyed; but what was executed later I told you I did not recollect.

Mr. BEALL. But there was some kind of an agreement signed there in New York?

Mr. HUSTON. There was an agreement signed in New York?

Mr. BEALL. And there was only one copy made, and that was left with Mr. King?

Mr. HUSTON. No; left with Mr. Temple.

Mr. BEALL. Yes; with Mr. Temple. The next column here is headed, "Taxable shipments." The Carnegie Co. is taxed with 891,843,926 tons, and your company, the Lukens Co., with 142,096,085 tons.

Mr. HUSTON. Those are not tons; those are pounds.

Mr. BEALL. Pounds?

Mr. HUSTON. Yes.

Mr. BEALL. Yes, of course; pounds. The next column gives the per cent. To your company it is 7.8 per cent, which is three-tenths of 1 per cent more than your allotted share.

Mr. HUSTON. At what period was that?

Mr. BEALL. That was for the entire year ending October 31, 1901. This seems to be a summary of all these monthly reports, I presume.

Mr. HUSTON. Yes.

Mr. BEALL. And you were then penalized for that three-tenths of 1 per cent?

Mr. HUSTON. I presume so.

Mr. BEALL. Then, down below there is another statement giving the list of these companies, the next column giving the per cent they were entitled to, the number of pounds that that per cent represented in the next column, and the fourth column giving certain figures under the heading of "Overshipped." Under that column the figure for the Lukens Co. is 5,794,710 pounds. There were five of these companies that overshipped, according to this statement, and five of

them that short shipped. What other company was located at Coatesville?

Mr. HUSTON. The Worth Bros. Co.

Mr. BEALL. Worth Bros. Co. They short shipped 12,399,344 pounds. Do you know whether, as a general thing, the Worth Co. ordinarily shipped its entire allotment, or was it short frequently?

Mr. HUSTON. I think it was short frequently.

Mr. BEALL. Do you remember, at the time you were at the printing office, that you made some remark to the printer, or afterwards made some remark to the printer?

Mr. HUSTON. I have no recollection of any such remark.

Mr. BEALL. To the effect that the Worth Co. always was short?

Mr. HUSTON. I have no recollection of any such remark.

The CHAIRMAN. And that your company never was short?

Mr. HUSTON. No, sir; I have no recollection of any such remark.

Mr. BEALL. Was it ever short?

Mr. HUSTON. It probably was, for some of the periods in that time.

Mr. BEALL. But you do not recall. The first statement I see here is for the months of November and December, 1900. It seems to be for those two months.

Mr. HUSTON. Yes.

Mr. BEALL. Included in one statement. It follows about the same form of that annual statement that I have just called your attention to. It seems that for those two months your per cent was 6.9. That would be short six-tenths of 1 per cent. Attached to this I notice a little memorandum. It says, "Statement, November and December, 1900, Glasgow entitled to 11,426,570 pounds. Shipped 3,317,663 pounds. Short 8,110,917 pounds." Do you know why that was attached there? The Glasgow company does not seem to be in this agreement.

Mr. HUSTON. I think they were put on a little different basis from the others.

Mr. BEALL. What basis were they put on?

Mr. HUSTON. I do not think that they had any percentage or bonus or penalty provision. As I recall it, they thought that if they did not exceed a certain tonnage, it would be satisfactory; and so it was worked along in that way to keep within a certain tonnage.

Mr. BEALL. Did they make reports each month to Mr. Temple?

Mr. HUSTON. I do not know, sir. I can not answer that.

Mr. BEALL. Was there any concern occupying the same status that the Glascow concern occupied?

Mr. HUSTON. Not at that time, I think.

Mr. BEALL. Well, subsequently?

Mr. HUSTON. I think there was, for a period; for a certain period I think we did.

Mr. BEALL. What concern?

Mr. HUSTON. I think we did, for about one year.

Mr. BEALL. Who?

Mr. HUSTON. I think we did, for about one year, because we built a new mill and needed a larger percentage, and it was just left out for a time, to see what we could do.

Mr. BEALL. Then did you come back?

Mr. HUSTON. Yes.

Mr. BEALL. Were you given an increased percentage when you came back?

Mr. HUSTON. We were given a percentage, I suppose, based on what we had done during the time we were out. I suppose that would be the natural way.

Mr. BEALL. That would be an increased percentage?

Mr. HUSTON. Naturally.

Mr. BEALL. There was a readjustment and rearrangement of these percentages?

Mr. HUSTON. Yes; I presume so.

Mr. BEALL. Do you know how often that occurred?

Mr. HUSTON. Every year.

Mr. BEALL. Every year?

Mr. HUSTON. Yes.

Mr. BEALL. You rearranged and readjusted the percentages?

Mr. HUSTON. Yes.

Mr. BEALL. Did you have a meeting in order to do that?

Mr. HUSTON. Yes.

Mr. BEALL. Where would you meet?

Mr. HUSTON. In New York, mostly; not always.

Mr. BEALL. At these meetings there was ordinarily supposed to be a representative of each one of these concerns?

Mr. HUSTON. Yes.

Mr. BEALL. You went over the situation and rearranged the percentages?

Mr. HUSTON. I think that was all blocked out by the secretary, and simply submitted, and there was not anything to do but to approve it.

Mr. BEALL. It was submitted to that meeting, then, in writing?

Mr. HUSTON. I suppose so.

Mr. BEALL. And was to be approved by the meeting?

Mr. HUSTON. I do not know that there was any formal action taken. It went automatically.

Mr. BEALL. But for the following year you would work upon the rearranged basis?

Mr. HUSTON. Yes.

Mr. BEALL. Do you know the largest per cent that your company was entitled to at any time?

Mr. HUSTON. I do not know without examining the records. Those records will show.

Mr. LINDABURY. Take the last year and compare it.

Mr. BEALL. 1904?

Mr. HUSTON. Yes. Well, they are simply statistics for 1904, but they probably show the percentage.

Mr. LINDABURY. I think the report is there for 1904.

Mr. BEALL. The Lukens, in January, 1904, had 7.72 per cent. It went over 3,907,000 pounds.

Mr. LINDABURY. That is about the same as the first year, is it not?

Mr. HUSTON. That was a year when we were all running very little. It was a slump year.

Mr. BEALL. 1903, then?

Mr. HUSTON. 1903 and 1904 both were; 1905 would show better; 1905 and 1906 would show better.

Mr. BEALL. 1905 and 1906 we have not here. In 1905 and 1906 you continued to make statements to Mr. Temple, did you not?

Mr. HUSTON. Perhaps not. No; not all of 1906.
Mr. BEALL. Up to what time in 1906?
Mr. HUSTON. I think the last report was for October, 1906. The last statistical report by Mr. Temple, the last report of any kind from him.
Mr. BEALL. Mr. Temple, up to October, 1906, would continue to make to you monthly reports about the amounts produced by these other concerns?
Mr. HUSTON. As a matter of fact, I do not think Mr. Temple did continue to then. We simply had a clerk, Mr. Langham. We simply employed him for a number of months to compile statistics, because he had done it with Mr. Temple. Mr. Temple dropped out.
Mr. BEALL. He took Mr. Temple's place, then?
Mr. LINDABURY. Have you those statistical reports?
Mr. BEALL. No, sir.
Mr. LINDABURY. Where are they?
Mr. HUSTON. I have them here.
Mr. LINDABURY. Yes. I asked you to keep them until Mr. Beall got through with these other matters.
(The reports referred to were here handed to Mr. Beall.)
Mr. BEALL. Were these reports prepared the same way that the others were and sent to you each month?
Mr. HUSTON. Yes.
Mr. BEALL. And for the same purpose?
Mr. HUSTON. No; just as a matter of information.
Mr. BEALL. Would you get the information about the amounts produced by all these other concerns?
Mr. HUSTON. Yes.
Mr. BEALL. Did this same per cent continue to apply?
Mr. HUSTON. No; it was simply giving statistics of the percentages, without meaning anything; the percentages that each one made as compared with the others, statistical.
Mr. BEALL. After the association ceased to be operative, why would you continue making these reports you speak of?
Mr. HUSTON. Just as a matter of information to each of us.
Mr. BEALL. You have your percentage of gross shipments, your percentage of export shipments, and your percentage of net shipments. The Carnegie Co. had 48.02 per cent. That is for December, 1905. The Lukens had 9.3 per cent. Then you have down here the total for 12 months, showing the Lukens with 8.7 per cent. Why do you say that you continued to supply each other with this information?
Mr. HUSTON. Just for general information, so that we could know what the production was and keep generally informed, was all.
Mr. BEALL. You were supposed to keep down pretty close to your 7.5 per cent?
Mr. HUSTON. Oh, no; not at all.
Mr. BEALL. There was no limitation upon you?
Mr. HUSTON. No, sir; none whatever.
Mr. BEALL. Upon your output?
Mr. HUSTON. No, sir; none whatever.
Mr. BEALL. If you went beyond it, were you penalized?
Mr. HUSTON. No, sir.

Mr. BEALL. If you did not come up to it, did you receive anything?
Mr. HUSTON. No, sir.
Mr. BEALL. How was this association finally dissolved?
Mr. HUSTON. Well, the funds in the treasury were disbursed.
Mr. BEALL. Did you have a meeting?
Mr. HUSTON. I do not remember. I presume that would be the result of a meeting. I do not recall just how it was done.
Mr. BEALL. Do you recall anything that was done looking to the ending of this agreement?
Mr. HUSTON. No; I do not.
Mr. BEALL. Who took the initiative? Who took the lead in ending the association?
Mr. HUSTON. I do not recall.
Mr. BEALL. It did not just end itself, did it?
Mr. HUSTON. It probably was the result of a meeting, but just how it was done I do not know.
Mr. BEALL. In a matter of that importance would you not remember whether there was a meeting or not?
Mr. HUSTON. No, sir.
Mr. BEALL. Do you know how much you received back from Mr. King?
Mr. HUSTON. I think we received back the original amount—possibly with a little interest. I do not remember exactly about that.
Mr. LINDABURY. I think the statement shows.
Mr. HUSTON. That statement will show, I suppose.
Mr. LINDABURY. 1904 and 1905, I think; one of those statements shows; I have forgotten which it is. I think it was in February, 1905. You will find it there.
Mr. BEALL. What was the purpose of this association anyway?
Mr. HUSTON. To maintain reasonable prices.
Mr. BEALL. By limiting—by an agreement limiting—the production?
Mr. HUSTON. No, sir; not limiting the production at all.
Mr. BEALL. But limiting the amount that each individual would be permitted to sell—that each corporation would be permitted to sell?
Mr. HUSTON. Well, it would have a deterring effect on going beyond a certain amount, but there was to be no limit whatever to the production.
Mr. BEALL. It was not specially to your interest to sell more than the 7.5 per cent, was it?
Mr. HUSTON. Not, naturally.
Mr. BEALL. Well, was it not intended either directly or indirectly to fix the amount that you would produce?
Mr. HUSTON. I suppose it was intended to make it—to avoid one concern going out in competition and cutting prices, or doing anything, offering inducements of any kind, to get more than its certain percentage.
Mr. BEALL. You had a minimum price fixed, did you not?
Mr. HUSTON. Yes.
Mr. BEALL. To what extent did you maintain the same price throughout any one of these years?
Mr. HUSTON. They varied. As I recall it, the price was 1¼ cents a pound, to begin with, and gradually worked up as there were more

active operations and greater demand, until we got to either 1.5 or 1.6—I think it was 1.6—when the dull period of 1903 and 1904 came along; and then I recall that in September, 1904, if I mistake not, it was within that time prices were dropped to 1.3 for different classifications, 1.3 and 1.4.

Mr. BEALL. Now, you started out with 1¼. When business began looking up and you wanted to raise the price to 1.35, each one of these companies would raise the price to 1.35, would they not?

Mr. HUSTON. I presume so; yes, sir.

Mr. BEALL. In order to do that would you have a meeting among yourselves, or would Mr. King or Mr. Temple advise you?

Mr. HUSTON. It was usually done as the result of a meeting.

Mr. BEALL. You would have a meeting. You started out with 1¼ cents a pound, and each of you maintained the price of 1¼ cents a pound until you would have a meeting and go over the situation and come to the conclusion that the trade situation would justify an increase to 1.35, say?

Mr. HUSTON. That was supposedly the case, but as a matter of fact prices were not always maintained.

Mr. BEALL. Prices were not always maintained?

Mr. HUSTON. No, sir.

Mr. BEALL. But your agreement contemplated that they would be maintained?

Mr. HUSTON. That was the expectation; yes.

Mr. BEALL. And your agreement also provided that before there should be any change in the price there should be a meeting, and you would agree on the price?

Mr. HUSTON. Well, either a meeting or some conference.

Mr. BEALL. If you did not have a meeting, was not Mr. King or Mr. Temple authorized to advise what price you should fix?

Mr. HUSTON. Oh, no, no; never. No.

Mr. BEALL. It was then always supposed to come as the result of a meeting?

Mr. HUSTON. Usually.

Mr. BEALL. And how often would you have those meetings?

Mr. HUSTON. Usually once a month.

Mr. BEALL. At any fixed time?

Mr. HUSTON. Usually about once a month.

Mr. BEALL. And at each of these meetings there was supposed to be a representative of each of these companies present?

Mr. HUSTON. Yes.

Mr. BEALL. You discussed the question and agreed among yourselves whether or not you would maintain the next month the same price, or whether the situation would allow you to increase it, or whether you would be compelled to reduce it?

Mr. HUSTON. Not always. The matter would run often for months, when it would not even be discussed.

Mr. BEALL. When it was not discussed it was the understanding, then, that the old price would be maintained?

Mr. HUSTON. Yes; always.

Mr. BEALL. It took the affirmative action of the representatives of all these concerns to change that price under that agreement?

Mr. HUSTON. I think so.

Mr. BEALL. And that situation continued up to the close of 1904?
Mr. HUSTON. I think so.
Mr. BEALL. I believe that is all.
Mr. GARDNER. In the earlier part of your testimony you stated, I believe, that the association put prices down in 1904?
Mr. HUSTON. As I recall it, it was September, 1904.
Mr. GARDNER. September, 1904. Previous to this agreement, we will call it the burned agreement, were you operating under any sort of an agreement in 1899?
Mr. HUSTON. No, sir.
Mr. GARDNER. A prosperous year?
Mr. HUSTON. No, sir.
Mr. GARDNER. You said that this burned agreement, whose origin we tried to elucidate, you presumed was sent you by the secretary?
Mr. HUSTON. I said it naturally would be. I do not recall who sent it.
Mr. GARDNER. Now, the secretary of what?
Mr. HUSTON. Well, Mr. Temple, that I mentioned a moment ago. He was the secretary of the Plate Association.
Mr. GARDNER. He was the secretary before the agreement was formed? Of what?
Mr. HUSTON. Of the association.
Mr. GARDNER. There was, then, a Plate Association?
Mr. HUSTON. Well, no; I can not say. It was not really formed then, but there was a preliminary meeting as leading up to it.
Mr. GARDNER. Then he was secretary of that meeting?
Mr. HUSTON. Yes; I think so.
Mr. GARDNER. Is that it?
Mr. HUSTON. I think so.
Mr. GARDNER. There was no association, then, previous to the burned agreement?
Mr. HUSTON. No, sir.
Mr. GARDNER. So that when you said the secretary handed it to you, you meant the secretary of that meeting?
Mr. HUSTON. Yes, sir. I did not testify he handed it to me. I said he might have done so. I do not recall how I got it.
Mr. GARDNER. I did not mean to put words into your mouth. That is what you meant, that the secretary of that meeting probably handed it to you?
Mr. HUSTON. He might have done so. It might be.
Mr. GARDNER. Was Mr. Temple secretary of that meeting?
Mr. HUSTON. I do not know whether he was at that meeting or not. I can not recall that. He became secretary afterwards; just when, I do not know.
Mr. GARDNER. He became secretary of the association after it was formed?
Mr. HUSTON. He became secretary at some period, but just how early in the history of it I can not recollect.
Mr. GARDNER. Now, this agreement was burned, and another agreement was entered into, of which you signed a copy?
Mr. HUSTON. I presume so.
Mr. GARDNER. You stated that you did sign it, I thought.
Mr. HUSTON. I think I did. I do not know how positively I put it, but it is my recollection that I did.

Mr. GARDNER. But you do not remember the specific points in which that second agreement differed from the first?

Mr. HUSTON. No, sir.

Mr. GARDNER. This second agreement, was that the one under which you operated until the end of 1904, or whenever it was that you went out of existence?

Mr. HUSTON. I presume the same one covered the whole period.

Mr. GARDNER. The second agreement which you signed?

Mr. HUSTON. I presume so.

Mr. GARDNER. Did that second agreement provide that from time to time your proportion—that is, the proportian of the Lukens Co.—of all shipments should be summed up, and the percentage fixed from time to time?

Mr. HUSTON. I can not answer that.

Mr. GARDNER. But you know, as a matter of fact, that whether the agreement provided it or not, the practice was that the association from time to time fixed your amount, the proportion of your shipments?

Mr. HUSTON. Based on the results of our previous output.

Mr. GARDNER. On the results of what?

Mr. HUSTON. It was automatic, as I said. The percentage was ordered in accordance with our previous month's or year's results.

Mr. GARDNER. In accordance with the agreement?

Mr. HUSTON. In accordance with the results of our rolling.

Mr. GARDNER. And that was in accordance with the agreement?

Mr. HUSTON. I do not know whether it was or not.

Mr. LINDABURY. I think he said those readjustments were annual.

Mr. GARDNER. But the readjustments of the association were under the agreement? That is what I want to get at.

Mr. HUSTON. I presume so. I do not know.

Mr. GARDNER. You know that the association presumably had articles of agreement?

Mr. HUSTON. Just what we have been referring to.

Mr. GARDNER. I think you have made that statement. Now, if they had articles of agreement, and you signed that agreement——

Mr. HUSTON. I think I signed it.

Mr. GARDNER (continuing). It was in consequence of your signature that your share of the account of the shipments in the first year was 7.5 per cent that you were entitled to, was it not?

Mr. HUSTON. I think so.

Mr. GARDNER. Now, did the agreement, or whatever you choose to call it, of the plate company provide penalties for excess shipments?

Mr. HUSTON. Yes; that is, except for exported material, which was free.

Mr. GARDNER. I understand. Did the plate association furnish you with a list of prices from time to time according to those monthly meetings—the decisions of those monthly meetings?

Mr. HUSTON. I presume so; or else the members got them at the meetings. I do not know which it was.

Mr. GARDNER. Either they were furnished by the secretary, or they got them right at the meetings?

Mr. HUSTON. Yes.

Mr. GARDNER. And they stuck to that list of prices, or were supposed to stick to that list of prices, until the next meeting?

Mr. HUSTON. They were supposed to, unless it was recalled in some way.

Mr. GARDNER. Now, a few minutes ago you said that in 1904 the association put prices down; in other words, that in 1904, when three of these companies had passed into the United States Steel Corporation, there still was a list of prices furnished by this association.

Mr. HUSTON. A list of prices furnished. I do not know of any list price furnished. We had what we have covered.

Mr. GARDNER. I can not hear what you say.

Mr. HUSTON. I do not recall any list price that you speak of, putting it in that definite shape. There were prices.

Mr. GARDNER. There were prices furnished you. You testified that in 1904 the association put the prices down.

Mr. HUSTON. Yes, sir.

Mr. GARDNER. That was after three of those constituent organizations had become parts of the United States Steel Corporation?

Mr. HUSTON. Yes, sir.

Mr. GARDNER. And to that extent the United States Steel Corporation was a party to this agreement in 1904, in furnishing fixed prices at which you were to sell your goods?

Mr. HUSTON. I presume so, through the constituents. They were dealt with separately.

Mr. GARDNER. Why was this agreement given up?

Mr. HUSTON. Well, there was a great deal of talk and restlessness and questioning as to the propriety of it.

Mr. GARDNER. Was there any court decision about that time?

Mr. HUSTON. I do not know whether there was or not.

Mr. GARDNER. When it was given up, did you change the policy of your company? Did you proceed to run your works more fully, or change the orders of your salesmen?

Mr. HUSTON. I think we did. If we were not under penalty we naturally would run more freely.

Mr. GARDNER. You do not remember, as a matter of fact, whether you did?

Mr. HUSTON. I do not remember just what was done.

Mr. GARDNER. But you felt at perfect liberty to alter your prices at any time you saw fit, without consulting with anyone, after that time?

Mr. HUSTON. After the thing was ended, of course, we were all independent and free; but we always were considerate. We did not feel that it would be right, in justice to others, to be a free lance. We were very considerate of others; and I think the result of the whole thing has had a steadying influence on others, to be considerate, one of the other.

Mr. GARDNER. As to the question of the results of the policy, I was not making any inquiry, or as to the propriety of the law; but I was trying to find out the fact——

Mr. HUSTON. We were not bound.

Mr. GARDNER. You were not bound, and you had to pay no penalty?

Mr. HUSTON. No, sir.

Mr. GARDNER. Under any circumstances?

Mr. HUSTON. No, sir.

Mr. GARDNER. How long after the dissolution of the Plate Association did this gentleman who succeeded Mr. Temple, or some other gentleman, continue to furnish these statistical statements?

Mr. HUSTON. They were furnished us, as shown by the reports here, to and including October, 1906.

Mr. GARDNER. And since that time how do you get such information? Is there some other publication?

Mr. HUSTON. We do not get any now.

Mr. GARDNER. Nowadays there is no publication which contains that information?

Mr. HUSTON. The American Iron & Steel Association gives its annual report, covering the different things.

Mr. GARDNER. Where is Mr. William C. Temple now?

Mr. HUSTON. I do not know, sir.

Mr. GARDNER. Do you know anyone who does know?

Mr. HUSTON. No, sir; I have not seen him for years.

Mr GARDNER. When you last saw him where was he?

Mr. HUSTON. Probably in New York.

Mr. GARDNER. What was his business in New York at that time?

Mr. HUSTON. I do not think he had any business there. He was in business in Pittsburg as agent for some boiler company, and I think that company was bought out, and I think he ceased to be agent; and whether he is in business there now or not, I do not know. Probably Pittsburgers can inform you.

Mr. GARDNER. Do you know anybody who could tell this committee where Mr. Temple could be found?

Mr. HUSTON. No, sir; I do not.

Mr. GARDNER. It seems exceedingly probable that he is the man who has, or did have at one time, that copy of the agreement; but the last you knew of him he was in New York?

Mr. HUSTON. Yes.

Mr. GARDNER. How many years ago was that?

Mr. HUSTON. He was not in business there. He was simply temporarily there.

Mr. GARDNER. He was the agent of some boiler concern?

Mr. HUSTON. No; his business was in Pittsburg. He would go to New York to act as the secretary of the meetings.

Mr. GARDNER. As the secretary for what sort of meetings?

Mr. HUSTON. Of our plate meetings, referred to and discussed.

Mr. GARDNER. I am speaking now of the time after the Plate Association was discontinued?

Mr. HUSTON. I have not seen him after that, to the best of my knowledge and belief.

Mr. GARDNER. And you have not heard of him?

Mr. HUSTON. No, sir.

Mr. GARDNER. You do not know whether he is alive or dead?

Mr. HUSTON. I asked some one the other day if he was alive, and some one thought he was. I was under the impression that he was not living, though I do not know.

Mr. GARDNER. Was he a man of good habits?

Mr. HUSTON. As far as I know.

Mr. GARDNER. How old a man was he?

Mr. HUSTON. I should guess he was 55 to 60, though I am not sure of that.

Mr. GARDNER. Was he a man of a good deal of ability?

Mr. HUSTON. I think so.

Mr. GARDNER. He would not have been in such a position if he had not been?

Mr HUSTON. Likely not.

Mr. GARDNER. And he must have been a man of a good deal of rectitude or he would not have been trusted by these constituent companies?

Mr. HUSTON. No, sir.

Mr. GARDNER. And such a man has disappeared so that you can not indicate to this committee how we can discover him?

Mr. HUSTON. I could safely say that his disappearance has no connection with this, because he has been drifting——

Mr. GARDNER. I did not mean to imply that it had. I recognize the fact that my question sounded as if I did, but it seems to me that that man ought to be discoverable.

Mr. HUSTON. I think if you would inquire of some of the Pittsburgers—he is a resident of Pittsburg—probably some of the Pittsburgers can inform you better than I.

Mr. LINDABURY. I made some inquiries last evening, and I heard that he was somewhere in the South. It strikes me that it was Florida, at some point. He was supposed to be in the South, living somewhere, I think, in the State of Florida, or at some other point in the South.

Mr. LITTLETON. Mr. Huston, you said in the outset of your testimony that you early realized that competition was destructive about 1899, or along in that period?

Mr. HUSTON. I said about 1892 to 1896 it was the worst period I ever remembered.

Mr. LITTLETON. And you said the destructive character of the competition was one of the inducing causes for entering into the agreement which was known as Agreement A?

Mr. HUSTON. To steady, and have reasonable steady prices, just as the Government of the United States do with the railroads to-day.

Mr. LITTLETON. Your desire was to steady the prices by entering into an arrangement which would fix the amount of the output of each concern, or the percentage of it, and also to have an arrangement for pooling prices?

Mr. HUSTON. It did not fix the output, but it made it—it put a deterring influence on the output.

Mr. LITTLETON. Well, it fixed the percentage which your company should have?

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. If it went above that they suffered some penalty?

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. That was first fixed in this agreement which Mr. Gardner has well characterized as the burned agreement; that was the first?

Mr. LINDABURY. If the gentleman will pardon me, it seems to me that it is not quite fair to have that go upon the record in that way. It was a draft of an agreement, which, because it was not acceptable to those who had entered into it or were proposing to do so, was

given up and another one substituted, just as is done in other business transactions.

Mr. LITTLETON. I said that was fixed in the agreement which has been characterized as the burned agreement. I do not think that anything I may say can add any odium to it.

Mr. HUSTON. It never was a concummated agreement, though.

Mr. LITTLETON. I understand; but prices were fixed on that proposed agreement?

Mr. HUSTON. Some arrangement was.

Mr. LITTLE. An arrangement contained in this agreement?

Mr. HUSTON. In part; not in full.

Mr. LITTLETON. But that was the first effort that was made to prevent destructive competition. Is that right?

Mr. HUSTON. Yes, sir; I think so.

Mr. LITTLETON. You were early advised that it would be wiser to destroy that agreement—that proposed agreement?

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. Is that so?

Mr. HUSTON. I think so.

Mr. LITTLETON. And you then entered into the second agreement, which was simply a manuscript copy that was brought to the meeting in New York and executed by the various concerns and left with the commissioner or the secretary of the Plate Association?

Mr. HUSTON. I think it was a typewritten copy.

Mr. LITTLETON. I mean a typewritten copy.

Mr. HUSTON. That is my recollection.

Mr. LITTLETON. But there was not but one copy, was there?

Mr. HUSTON. I think not.

Mr. LITTLETON. In the first instance, copies had been printed and distributed amongst the various persons whom it was supposed would subscribe?

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. Thereafter you had annual meetings of this association in New York, did you not?

Mr. HUSTON. I think so.

Mr. LITTLETON. And you had a readjustment from time to time of the various percentages of the various constitutents of this particular arrangement. Is that right?

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. Those readjustments or rearrangements that were made annually were made after consultation amongst all the members?

Mr. HUSTON. Not necessarily after consultation. It was automatic, as I said. What a concern made one year, on which it might have paid a penalty, would determine its percentage for the next year.

Mr. LITTLETON. Yes; but when you met in the rearranging period annually, there was a rearrangement by which you knew for the next year what your percentage would be?

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. That continued on until 1904, the latter part of 1904, when you say the money was distributed—the Plate Association funds were distributed—amongst all these subscribers to this arrangement?

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. So far as any visible evidence of it is concerned, or any machinery is concerned, the whole Plate Association disappeared. That is right?

Mr. HUSTON. Yes, sir; except for statistics.

Mr. LITTLETON. You say after that, and up until 1906, there was continued to be furnished information to each of these persons, which showed the prices and output and percentage?

Mr. HUSTON. It did not show the prices.

Mr. LITTLETON. Well, it showed the percentage of output?

Mr. HUSTON. Yes. It just showed what we were doing.

Mr. LITTLETON. In other words, what had been hitherto necessary in the form of an agreement was accomplished now by the communication from one to the other of the information that was necessary to be had?

Mr. HUSTON. No, sir; and it was not intended to accomplish that, but to be a guide in the reasonable conduct of business.

Mr. LITTLETON. Whether it was intended to or not, it did accomplish that in fact, did it not?

Mr. HUSTON. I do not think it did.

Mr. LITTLETON. Did not the same thing occur between 1904 and the latter part of 1906?

Mr. HUSTON. The statistics were furnished.

Mr. LITTLETON. Yes; and did you not act in obedience to the——

Mr. HUSTON. Oh, no; not necessarily at all.

Mr. LITTLETON. I do not mean necessarily; but did you not receive each other's rates between 1904 and 1906?

Mr. HUSTON. No, sir; I do not think we did, always.

Mr. LITTLETON. Did you not as a practice do so?

Mr. HUSTON. As what?

Mr. LITTLETON. As a practice, as a general thing?

Mr. HUSTON. I do not think so.

Mr. LITTLETON. Was it information that you expected from each other?

Mr. HUSTON. That is a little conjectural.

Mr. LINDABURY. You mean in the matter of the percentage?

Mr. LITTLETON. Yes.

Mr. HUSTON. I do not think we were going on percentage during any of that period.

Mr. LITTLETON. From 1904 to 1906?

Mr. HUSTON. I do not think so.

Mr. LITTLETON. Were you going on an arrangement as to prices in the period between 1904 and 1906?

Mr. HUSTON. No, sir; I think not.

Mr. LITTLETON. What became of what is known as Agreement B?

Mr. HUSTON. I do not know.

Mr. LITTLETON. You have seen Agreement B?

Mr. HUSTON. If you refer to the one referred to in that printed copy, I presume I have; but that is a long time ago.

Mr. LITTLETON. You do not know where that could be found?

Mr. HUSTON. No, sir; I presume it was destroyed.

Mr. LITTLETON. After 1906 did you have annual meetings with the producers of steel in this country, in New York?

Mr. HUSTON. No, sir; we had no annual meetings.

Mr. LITTLETON. Did you have meetings with them?
Mr. HUSTON. We met to confer on general topics.
Mr. LITTLETON. Where did you meet?
Mr. HUSTON. At various places. I think we had some dinners in New York, which you probably are aware of.
Mr. LITTLETON. Yes. Was not the next step in the evolution of this question what came to be known as the Gary dinners in New York?
Mr. HUSTON. Oh, no. As a matter of fact, at the dinners prices were not discussed at all, that I recollect.
Mr. LITTLETON. You attended the dinners given by Judge Gary?
Mr. HUSTON. Yes, sir.
Mr. LITTLETON. Have you seen the proceedings of those dinners?
Mr. HUSTON. Yes, sir.
Mr. LITTLETON. You know what took place there?
Mr. HUSTON. Generally just speeches, and general felicitations—except in the discussion of policies, perhaps, but no further than that that I recall.
Mr. LITTLETON. Was there not always the discussion of the thing that you referred to awhile ago—the steadying influence on prices of the communication of information from one to the other?
Mr. HUSTON. That we ought to consider the feelings of others; but nothing more than that—to consider the rights of others.
Mr. LITTLETON. Was not the same information communicated at these dinners between the producers of steel that was communicated between 1904 and 1906 in these various things that passed between your constituent companies?
Mr. HUSTON. No, sir.
Mr. LITTLETON. Is it not a fact, Mr. Huston, that you knew it was found necessary to get rid of this Agreement A, or advisable to get rid of it, and that you then limited it to one copy, which you located in the hands of a commissioner or secretary of the Plate Association; that you found it inadvisable to renew that from year to year, but you continued by arrangements annually to obey it; and that finally, having had this big experience in the matter, you could now do in discussions at times what it had required in the first instance the making of an iron-bound contract to do?
Mr. HUSTON. No, sir; the whole thing was off in 1904, as I said, and the dinners were an entirely different thing.
Mr. LITTLETON. That is all.
Mr. STERLING. Mr. Huston, what per cent of the plate output does your concern make now?
Mr. HUSTON. That I do not know. We have not figured it up.
Mr. STERLING. About what per cent?
Mr. HUSTON. I really do not know, because there are a number of new manufacturers in the field with plates, and I do not suppose that we differ materially from what we were then. Well, probably less percentage, if you take in those newcomers.
Mr. STERLING. What was your per cent last year?
Mr. HUSTON. We did not have any per cent.
Mr STERLING. Do you know what per cent of the whole output your output was last year?
Mr. HUSTON. Not at all. I never figured it.
Mr. STERLING. Or the year before?

Mr. HUSTON. No, sir; I never figured it myself or knew of it being figured.
Mr. STERLING. How is that?
Mr. HUSTON. I never figured it myself or knew of it being figured.
Mr. STERLING. What is the limit of your output now?
Mr. HUSTON. The limit?
Mr. STERLING Yes; the capacity of your mills?
Mr. HUSTON. If you mean the most we have ever turned out in 12 months——
Mr. STERLING. Is there any limit now to the output of the plate that your concern makes?
Mr. HUSTON. Well, there is a limit to our capacity, naturally.
Mr. STERLING. Is that the only limit to the output?
Mr. HUSTON. That is the only limit; yes.
Mr. STERLING. You make all you can?
Mr. HUSTON. No; it is limited because of the want of orders at present—very much limited.
Mr. STERLING. Is that the only limit you have now?
Mr. HUSTON. That is the only limit besides our capacity and the want of orders, as far as I know.
Mr. STERLING. You do not know what that per cent is?
Mr. HUSTON. There is no per cent.
Mr. STERLING. Oh, yes; it is a per cent, of course, of the whole output; but do you know what it is?
Mr. HUSTON. No, sir; I do not.
Mr. STERLING. Have you tried to gather any information?
Mr. HUSTON. I have not tried to gather any information.
Mr. STERLING. You just sell all you can, and you make all you sell?
Mr. HUSTON. That is about it.
Mr. STERLING. How are prices now as compared to 4 or 5 years ago?
Mr. HUSTON. They are lower.
Mr. STERLING. Have they been gradually getting lower since you abandoned this agreement?
Mr. HUSTON. I can not answer that.
Mr. STERLING. What has been the general trend?
Mr. HUSTON. There has been a drop. Let me see. Two or three months ago there was a drop because of the drastic action of one large concern that went out and cut prices on its commodities; and we all naturally had to drop in line.
Mr. STERLING. What concern was that?
Mr. HUSTON. The Republic Iron & Steel Co.
Mr. STERLING. Has there been any other marked decline in prices in the last two or three years besides this one you speak of?
Mr. HUSTON. Well, at one time, yes; the panic brought a very marked decline. In February following after the panic the prices dropped down to a very——
Mr. STERLING. That was February of 1908?
Mr. HUSTON. No; 1909. The prices fell off.
Mr. STERLING. 1907 was the year of the panic.
Mr. HUSTON. Well, during 1908, following the panic in 1908, was the dull period, and very little was doing. The prices went down on plate temporarily, very low, and then very quickly came up again, until in 1909 the prices were up, I think, to either 1.50 or 1.60 again.

Mr. STERLING. Have the prices been higher at any time since 1904, the latter part of 1904, than they were at that time?

Mr. HUSTON. I do not recall what the prices—oh! The price, as I said, in 1904 was marked down to 1.03 and 1.04; and we have had it lower and higher both since then.

Mr. STERLING. Lower than at that particular time?

Mr. HUSTON. Right after the drop in prices——

Mr. STERLING. What has the general trend been? Downward?

Mr. HUSTON. There has been no general trend. It has fluctuated according to conditions.

Mr. STERLING. But it is lower at the present time?

Mr. HUSTON. Than when?

Mr. STERLING. Well, than it has been for several years?

Mr. HUSTON. It is lower than it was two years ago.

Mr. STERLING. That is due to the Republic Iron & Steel Co.?

Mr. HUSTON. No; there is less demand. Two years ago there was considerable demand, and now there is very little. It is getting a little better now. I do not know how it will work out.

Mr. STERLING. Mr. Huston, in the main, since you abandoned the agreement of 1904, have the prices of steel plate been generally steady—what you call steady—in the trade, or have they been unduly fluctuating?

Mr. HUSTON. They fluctuated.

Mr. STERLING. Well, seriously?

Mr. HUSTON. Since the close of 1904, yes. After the panic, as I said, they dropped down seriously.

Mr. STERLING. Well, then, with that exception have they been generally steady?

Mr. HUSTON. No; they have ascended and then dropped off again. They varied according to the conditions of the market; supply and demand, or demand principally. There is plenty of supply.

Mr. STERLING. Do you say, Mr. Huston, that there has been no agreement or understanding of any kind between the plate producers in this country since you abandoned the agreement in 1904, as to output and prices?

Mr. HUSTON. We have no agreement that I know of.

Mr. STERLING. You have not been a party to any agreement?

Mr. HUSTON. No, sir.

Mr. STERLING. Or any understanding?

Mr. HUSTON. No, sir; we have no binding at all.

Mr. STERLING. What is that answer?

(The reporter read the answer as given.)

Mr. HUSTON. Nothing binding at all of that sort.

Mr. STERLING. You say nothing binding?

Mr. HUSTON. Only as a man. If I should say to some one that my price was going to be so-and-so I would expect to hold it; but we have no—nothing further—no agreement whatever.

Mr. STERLING. Do the parties now that were in this original contract have an implied understanding between themselves that they will sell at the same price?

Mr. HUSTON. No, sir; I can not say that they have.

Mr. STERLING. Do you say that they have not?

Mr. HUSTON. What do you say?

Mr. STERLING. Do you say they have not?

Mr. HUSTON. I can not speak for the others. I can only speak for myself.

Mr. STERLING. What do you say about yourself? You say you have not any implied understanding with any other concern producing steel plate as to the prices at which you will sell?

Mr. HUSTON. No, sir.

Mr. STERLING. Was the Republic Iron & Steel Co. in this agreement?

Mr. HUSTON. No, sir. As I said before, if I said I was going to hold a certain price, I expected to do it until I notified others to the contrary.

Mr. STERLING. Now, have you said that to any of your competitors within the last three or four years?

Mr. HUSTON. I may have.

Mr. STERLING. Do you know now whether you have or not?

Mr. HUSTON. I can not say definitely about that.

Mr. STERLING. Do you say that you have not?

Mr. HUSTON. No, sir; I won't say that I have not.

Mr. STERLING. Have any of your competitors said to you that their prices would be so-and-so?

Mr. HUSTON. I think they have in a general way.

Mr. STERLING. Now, where was that said to you?

Mr. HUSTON. Well, when we would meet to talk things over once in a while—general conditions.

Mr. STERLING. At the Gary dinners?

Mr. HUSTON. No, sir.

Mr. STERLING. When did you meet to talk things over?

Mr. HUSTON. Well, we met, for instance, to talk over general trade conditions. Following the panic in 1908, to avoid utter demoralization and ruin to some who had bought large stocks of material, each one felt that he should not drop prices at present; that we ought to stand together—but without any agreement to that effect.

Mr. STERLING. Where was that meeting?

Mr. HUSTON. It was in New York.

Mr. STERLING. And each of you said to the other——

Mr. HUSTON. No, sir; we did not; no, sir; just a general talk—a general feeling that such ought to be done.

Mr. STERLING. Well, they expressed that feeling in words, did they not?

Mr. HUSTON. Well, possibly.

Mr. STERLING. In that expression was there a time limit as to which those prices——

Mr. HUSTON. No, sir.

Mr. STERLING (continuing). Should prevail?

Mr. HUSTON. No, sir.

Mr. STERLING. Until notice was given?

Mr. HUSTON. No, sir.

Mr. STERLING. Well, now, when it was said to you by some one of your competitors—just wait until I finish the question—that his prices would be so-and-so, did he say "until further notice"?

Mr. HUSTON. No, sir.

Mr. STERLING. Or words to that effect?

Mr. HUSTON. Oh, well.

Mr. STERLING. What?

Mr. HUSTON. That might have been. What he proposed to do himself?

Mr. STERLING. Yes.

Mr. HUSTON. Until he would intimate differently.

Mr. STERLING. Now, when there was a consensus of all the opinions expressed there as to prices, the result was that the prices should be the same, was it not?

Mr. HUSTON. I can not say that it was always; no, sir.

Mr. STERLING. What?

Mr. HUSTON. No, sir.

Mr. STERLING. Well, substantially the same?

Mr. HUSTON. It may have been, in a general way; but it was not always the same.

Mr. YOUNG. Mr. Huston, does your concern make anything besides plates?

Mr. HUSTON. Mainly; no. We do some special work on those plates after they are made, occasionally; but we are simply a plate proposition.

Mr. YOUNG. So that you have nothing to do with the other great lines of steel manufacture?

Mr. HUSTON. No, sir.

Mr. YOUNG. And you would not know anything about any agreements in those lines?

Mr. HUSTON. No, sir.

Mr. YOUNG. If they exist?

Mr. HUSTON. No, sir.

The CHAIRMAN. One question right there. Do you make beams?

Mr. HUSTON. No, sir.

The CHAIRMAN. Channels?

Mr. HUSTON. No, sir. Those are what are called "structurals," and we do not make them.

The CHAIRMAN. You do not make any structural steel?

Mr. HUSTON. No, sir; only plates, which may be used in connection with it, to rivet up.

The CHAIRMAN. Do you make pig iron?

Mr. HUSTON. Not the Lukens Iron & Steel Co. We have another company that does.

The CHAIRMAN. You have another company that makes pig iron?

Mr. HUSTON. Yes, sir.

The CHAIRMAN. Were you ever in what is known as the Eastern Pig Iron Association?

Mr. HUSTON. No, sir.

The CHAIRMAN. Were you ever in any pig-iron association?

Mr. HUSTON. No, sir.

The CHAIRMAN. And had no agreement of any kind or description whatever?

Mr. HUSTON. No, sir.

Mr. YOUNG. Did you ever make pig iron?

Mr. HUSTON. The Lukens Iron & Steel Co. does not make any.

Mr. BARTLETT. I want to ask you a few questions. I understood you to say that at these meetings you would make the statement that you would hold to such and such prices for your product until you notified them differently. Did you state that?

Mr. HUSTON. Just how did you frame that?

Mr. BARTLETT. I understood you to say that at these meetings after 1904, where you met to discuss business and things of that sort, you would say to your friends who were engaged in the same business that you would hold to such and such prices until you notified them differently. Is that true?

Mr. HUSTON. I can not say that I did that definitely at meetings. I might say in a general way——

Mr. BARTLETT. I mean, you said it in a general way.

Mr. HUSTON. In a general way, that I felt that a certain price——

Mr. BARTLETT. You let them understand that from that time on you would hold to such prices for your products until you notified them of a change. Is that true?

Mr. HUSTON. I can not say that I just put it as broadly as that.

Mr. BARTLETT. Did you not virtually make that statement a few minutes ago?

Mr. HUSTON. I have made some general remark that I thought——

Mr. BARTLETT. You were not the only person that made that statement from which other people could infer that you would continue to hold to certain prices? They would also make the same statement, most of them, would they not?

Mr. HUSTON. Possibly.

Mr. BARTLETT. Possibly? Is it not really a fact that they did?

Mr. HUSTON. No, sir; I do not know that it was a fact.

Mr. BARTLETT. Well, now, if it was not intended to be governing or final, why the necessity of saying that you would hold to prices until you notified them differently?

Mr. HUSTON. Conferring; meetings to confer on general business conditions; and mainly it was good to meet together to confer on the general conditions——

Mr. BARTLETT. Well, now——

Mr. LINDABURY. Would you mind letting him finish?

Mr. BARTLETT. I beg your pardon. Go ahead, sir.

Mr. HUSTON. Just to meet together to consult on all general policies or conditions, not only as to market conditions, but as to rates—but as to labor, safety appliances, and all that, which is involved in the American Iron & Steel Institute.

Mr. BARTLETT. You used the expression, if I recall, that the general understanding was with "we"; that those people who were engaged in the manufacture of steel and steel products ought to stand together, without any agreement to that effect; and that that was the general feeling. Is that true?

Mr. HUSTON. Well, I won't say that.

Mr. BARTLETT. But have you not said it, a little while ago?

Mr. HUSTON. I do not think I put it that broadly.

Mr. LINDABURY. I did not understand him to say that.

Mr. BARTLETT. I undertook to take it down. However, the record will show. If there was no binding agreement, either implied or express, or if it did not even amount to what we call a "gentlemen's understanding," why was there any necessity that everybody should understand that they were to get notice if any of the parties who were present in this general conversation, which might affect the business and prosperity of the steel industry, should change his prices? Why should a man say that he was going to conduct his business and sell his product at a certain price until he notified the

others? Why should there be any necessity of having a notice of the change of your intention?

Mr. HUSTON. Simply on this general broad principle, that if a man says "I am going to sell thus and so until I say I am going to change," naturally he would have to say when he was going to change.

Mr. BARTLETT. Well, that would be notice.

Mr. HUSTON. Well, I do not know whether you call it notice or not.

Mr. BARTLETT. Is it not a fact that these casual conversations that occurred at these meetings were so effective that people who were present at the meetings and who engaged in the conversations did continue to sell their products at the prices at which they said they would sell them until further notification? That is a fact, is it not? You did, did you not?

Mr. HUSTON. No; there were variations from the price.

Mr. BARTLETT. You sold yours at the prices you suggested until you notified them differently, did you not?

Mr. HUSTON. If we felt that a competitor——

Mr. BARTLETT. Did not you? I beg your pardon; had you gotten through?

Mr. HUSTON. If we found that a competitor had made a definitely lower price, we had given it to be understood at the outset that we would always protect ourselves if a cut price were made; that we would feel bound to meet the price or lose the business, one of the two.

Mr. BARTLETT. But you did not feel even authorized to do that without notice?

Mr. HUSTON. Yes, sir; we did.

Mr. BARTLETT. You did it without notice; but did you not notify your business friends who were engaged in the same business that you had changed your price?

Mr. HUSTON. Well, the one that was directly concerned promptly knew about it.

Mr. BARTLETT. What do you mean by the one who was directly concerned?

Mr. HUSTON. Well, the one that was cutting prices.

Mr. BARTLETT. You regarded this talk, this understanding, this general conversation understanding, as binding on you, did you not?

Mr. HUSTON. Oh, no.

Mr. BARTLETT. You observed it, did you not?

Mr. HUSTON. In a general way, as a gentleman would observe his statements.

Mr. LITTLETON. As I understand it, at these meetings, you would say that you were going to maintain a certain price; that you thought a certain price ought to be maintained; and when you said that, you felt that you would maintain that price until you had said to the contrary to the same people?

Mr. HUSTON. No, sir; it was not put in that way.

Mr. LITTLETON. I know it was not. I can not imagine how it was put; but I am trying to get the substance of it.

Mr. HUSTON. I simply said that if any one individual would say that his price was going to be thus and so until he gave notice to the contrary, that would be quite different from the way you put it.

Mr. LITTLETON. Well, let me understand that. If any individual said his price would be so-and-so until he made a change in it, of course it would be that until he changed it; but it was understood, was it not, that he would not make a change without letting the other ones know?

Mr. HUSTON. I think so.

Mr. LITTLETON. So that if each to the other indicated a price, and each to the other indicated an intention not to change without letting the other know, until some fellow cut under, you had no reason to readjust your prices?

Mr. HUSTON. Well, that would depend upon circumstances. I can not say that that would always be the case.

Mr. LITTLETON. You would not do it without letting the other man know; and if you——

Mr. HUSTON. If I should say to a man that I was going to hold to a certain price until I notified him differently, I would feel obliged to do it unless——

Mr. LITTLETON. Unless he had broken his end of it.

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. Did you bring some other papers with you in response to the subpœna?

Mr. HUSTON. No, sir; I believe not. I have turned over, I believe, all that I brought with me, to the best of my knowledge and belief.

Mr. LITTLETON. Did you search for all the papers in connection with this agreement in your place, Mr. Huston?

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. And you brought with you everything that pertains to it, that you could find?

Mr. HUSTON. Yes, sir.

Mr. LITTLETON. Did you know of the existence of similar agreements in other branches of the steel industry?

Mr. HUSTON. I think in a general way.

Mr. LITTLETON. You understood, did you not, that in each branch there were agreements similar to this?

Mr. HUSTON. I had heard of it. I did not know it officially. I had heard it talked of.

Mr. LITTLETON. You never were present at any meeting where such an agreement was discussed?

Mr. HUSTON. Not that I know of.

Mr. LITTLETON. Was it a fact that agreements of this character as applied to steel plate—similar agreements—were applied to other steel products?

Mr. HUSTON. I do not know anything about that, sir.

Mr. LITTLETON. That is all.

Mr. BARTLETT. One other question. Did this agreement, or any of these agreements or understandings, whether in writing or verbal, or whether considered as talk or as general agreements, raise the prices to this country, or were the prices fixed with reference to sales in this country, and also with respect to sales abroad?

Mr. HUSTON. There were no prices fixed at all for export material.

Mr. BARTLETT. There were none fixed for export?

Mr. HUSTON. No, sir.

Mr. BARTLETT. It is a fact that prices for products sold abroad were less than those for products sold for consumption in this country, is it not?

Mr. HUSTON. That may be.

Mr. BARTLETT. Well, do you not know whether it is a fact or not?

Mr. HUSTON. Not always; no, sir.

Mr. BARTLETT. Not always; but it was frequently the case?

Mr. HUSTON. It may be, sometimes. We do very little exporting of material, so I am not qualified to speak definitely on that.

Mr. BEALL. I would like to ask you a question or two. At the time this 1900 agreement was made, who, besides these companies included in it, were engaged in the manufacture of steel plates in this country?

Mr. HUSTON. Who besides those?

Mr. BEALL. Yes.

Mr. HUSTON. I can not speak authoritatively. There were a number of independent concerns. There was a mill down at Birmingham, and I think several—perhaps one or two—others through the South; and one at Portsmouth, Ohio, and one at Cleveland, Ohio. I think it used to be called the Cleveland Steel Co., but I am not sure of the name.

Mr. BEALL. Were there any concerns in this territory in which these companies did business?

Mr. HUSTON. We all did business over the whole territory. We did business from the Atlantic to the Pacific Oceans.

Mr. BEALL. Were there any companies in the New England States or in the Middle States that were not in this association?

Mr. HUSTON. Let me see. There may have been in Pittsburg and around there. The fact is there are some mills that have changed somewhat, and I can not answer that positively, sir.

Mr. BEALL. What percentage of the production of steel plate in 1900 was included in this agreement?

Mr. HUSTON. I do not know.

Mr. BEALL. Can you approximate it?

Mr. HUSTON. Probably over 75 per cent.

Mr. BEALL. Do you think these 11 companies that were parties to this first agreement made less than 90 per cent of the steel plate of the country?

Mr. HUSTON. I do not know whether they did or not. I did not go into that. I could not answer it.

Mr. BEALL. I notice that in 1906 there had been some changes in the list of the companies that exchanged data. The Lackawanna had come in and one or two others. Could you approximate the percentage of the steel-plate industry that was connected with this exchange of data?

Mr. HUSTON. No, sir; I can not.

Mr. BEALL. Was the steel represented a very large per cent of the total production?

Mr. HUSTON. Probably.

Mr. BEALL. Well, do you not know as a matter of fact?

Mr. HUSTON. Yes; that was a large per cent of the total production then.

Mr. BEALL. Would it amount to as much as 90 per cent?
Mr. HUSTON. I do not know that.
Mr. BEALL. What would be your best judgment about it?
Mr. HUSTON. When you are guessing at random, you sometimes go far wide of the mark.
Mr. BEALL. You have been in the manufacture of steel plate for many, many years.
Mr. HUSTON. I should say anywhere from 75 to 90 per cent, although I have not given that particular part consideration.
Mr. BEALL. I appreciate the fact that it would simply be an estimate.
Mr. HUSTON. Yes.
Mr. BEALL. But from the position you occupy, I assumed that you could form an approximate estimate. How did you get notice of these Gary dinners?
Mr. HUSTON. I got an invitation.
Mr. BEALL. You got an invitation?
Mr. HUSTON. Yes, sir.
Mr. BEALL. You attended about all of them?
Mr. HUSTON. I think so.
Mr. BEALL. I understood you to say in response to a question put by somebody here that the question of prices was not discussed at the Gary dinners?
Mr. HUSTON. No, sir.
Mr. BEALL. Are you not mistaken about that?
Mr. HUSTON. I do not recollect any if they were.
Mr. BEALL. You made a little speech at a dinner on January 11, 1911, did you not?
Mr. HUSTON. We may have talked in a general way; but I mean we did not undertake to fix prices at such dinners.
Mr. BEALL. I understand; but you did discuss prices?
Mr. HUSTON. Oh, well, in a general way, we probably did.
Mr. BEALL. Was not that the burden of the discussion? Did it not revolve around the question of prices?
Mr. HUSTON. Not always.
Mr. BEALL. And their maintenance?
Mr. HUSTON. Not always.
Mr. BEALL. As a general thing?
Mr. HUSTON. Not always.
Mr. BEALL. I know, not always; but as a general thing was not the burden of the discussion, and did it not relate to the question of the maintenance of prices?
Mr. HUSTON. No, sir. Sometimes it was never even mentioned, I think.
Mr. BEALL. Sometimes; but I am asking you now as a general thing.
Mr. HUSTON No; I do not think so, as a general thing. At some particular periods it might be natural to.
Mr. BEALL. In these remarks of yours on January 11, 1911, you say: "We are all of the same opinion about the maintenance of prices."
Mr. HUSTON. Yes.

Mr. BEALL. What did you mean by that?

Mr. HUSTON. That we ought not to go out into destructive competition.

Mr. BEALL. "We are all of the same opinion about the maintenance of prices." How did you know what the opinion of others was about the maintenance of prices?

Mr. HUSTON. Well, as expressed. Probably there were other remarks made there at that same dinner on that subject.

Mr. BEALL. Do you not know that almost every speaker referred to the question of prices, and was not the sentiment running through all of it that "we must keep up the prices and maintain the prices and not cut prices"?

Mr. HUSTON. Not go into destructive competition—I think so.

Mr. BEALL. Is not that what that means?

Mr. HUSTON. Very likely it does.

Mr. LITTLETON. There was not any dissent in that record, was there?

Mr. BEALL. Not so far as I have been able to discover.

Mr. LINDABURY. Is there any "Applause," "Hear, hear," or anything of that sort?

Mr. BEALL. "Applause" frequently occurs.

Mr. LINDABURY. I understand that "Applause" in the record is not to be relied on altogether. [Laughter.]

Mr. LITTLETON. That is in the Congressional Record.

Mr. BEALL. In some places it might not be relied on, but I am interested in this.

Mr. BARTLETT. Judge Gary says that those things are taken down by a stenographer, without anybody correcting them, so I apprehend that this can be relied on.

Mr. BEALL. Listen to the expression, "We are all of the same opinion about the maintenance of prices." You knew what you were talking about.

Mr. HUSTON. I spoke toward the latter part of the dinner, and that was the consensus of opinion as expressed there, I suppose. [Laughter.]

Mr. BEALL. You did talk about prices, then?

Mr. HUSTON. I certainly did then, from what you say.

Mr. BEALL. And these speakers that preceded you had spoken with such plainness and directness that you understood it?

Mr. HUSTON. The wording is given, I think, there. You have got it.

Mr. BEALL. You felt justified in saying, "We are all of the same opinion about the maintenance of prices"?

Mr. HUSTON. I did not recall that anything had been said there at all about it, and I will have to correct my former statement, because it passed from my mind.

Mr. BEALL. There had been something said to justify that remark?

Mr. HUSTON. Evidently there had; but that book will tell just what was said. I do not recall it now.

Mr. BARTLETT. The witness, I apprehend, does not think he ought to be held responsible for a speech made at the end of one of those dinners. [Laughter.]

Mr. LINDABURY. I rather sympathize with that view.

Mr. HUSTON. My glasses were inverted, so I do not think there can be much trouble on that score.

Mr. BEALL. With that statement we accept you as a good witness, as knowing just exactly what occurred there, and you were in a position to say, "We are all of the same opinion about the maintenance of prices." Did you not understand that that was the purpose of the Gary dinners?

Mr. HUSTON. No, sir.

Mr. BEALL. To maintain prices?

Mr. HUSTON. No, sir; we often had distinguished guests there, to meet with others. He had at one time Baron von Bodenhausen and Sir John Hadfield, I think it was, of England. He had the big man of Germany on the one side, and the big man of England on the other, which caused some felicitous remarks as to bringing the two together.

Mr. BEALL. Were they all of the same opinion about the maintenance of prices?

Mr. HUSTON. I do not think there was any price discussed at that time.

Mr. BEALL. Did you ever know the price of any steel products to be changed immediately after a Gary dinner?

Mr. HUSTON. I do not recall it.

Mr. BEALL. Did you attend the dinner on May 4, 1911?

Mr. HUSTON. May 4, 1911? I think I did.

Mr. BEALL. A certain manufacturing company had been cutting prices at that time?

Mr. HUSTON. That was a luncheon, that you refer to?

Mr. BEALL. A luncheon; yes.

Mr. HUSTON. That was the Republic that was referred to; yes. That was seriously discussed.

Mr. BEALL. Do you know whether that was the occasion of having that luncheon?

Mr. HUSTON. Very possibly it was.

Mr. BEALL. Did you understand that that was the purpose?

Mr. HUSTON. I presumed it was.

Mr. BEALL. And at that luncheon you discussed this reduction in prices?

Mr. HUSTON. Yes, sir.

Mr. BEALL. Immediately after that luncheon Judge Gary gave out a statement as to the prices that the United States Steel Co. were going to charge for their products? Do you remember that?

Mr. HUSTON. Yes, sir.

Mr. BEALL. Did you conform to that price?

Mr. HUSTON. I may have. I think I did.

Mr. BEALL. Do you not know you did?

Mr. HUSTON. I think so.

Mr. BEALL. Do you not know you did?

Mr. HUSTON. I did at the time.

Mr. BEALL. Have you changed since?

Mr. HUSTON. I have not always had that same rate.

Mr. BEALL. Since that time?

Mr. HUSTON. Yes, sir.

Mr. BEALL. Have you lived up to the price that was contained in that statement that was issued by Judge Gary after that luncheon?

Mr. HUSTON. Not always, sir.

Mr. BEALL. How have you departed from it?

Mr. HUSTON. In some cases we get more, I think, and in some cases a shade less.

Mr. BEALL. As a general thing your purpose has been to conform to that?

Mr. HUSTON. Probably, in a general way.

Mr. BEALL. After each one of these other dinners, do you recall any statement being issued by Judge Gary, or by anybody else representing the United States Steel Corporation, giving a list of prices?

Mr. HUSTON. A list of prices?

Mr. BEALL. Yes—well, of changes in prices.

Mr. HUSTON. No, sir. This was a case where a radical cut had been made in bars, and there was a drop of $3 a ton. Naturally, that was something that concerned the whole trade, as to what should be done.

Mr. BEALL. You, all of you, intended to do the same thing, did you not?

Mr. HUSTON. It was discussed in a general way.

Mr. BEALL. You intended, all of you, to do the same thing?

Mr. HUSTON. I can not answer that.

Mr. BEALL. Was it not your intention when you went to the luncheon to abide by whatever decision was reached there?

Mr. HUSTON. I went there to learn what was going to be done.

Mr. BEALL. What was going to be done?

Mr. HUSTON. If anything was going to be done. I went to listen.

Mr. BEALL. Had you heard what was to be done?

Mr. HUSTON. No, sir. My surmise was that something would be done with reference to the radical cut of the Republic.

Mr. BEALL. Did you not suspect that some sort of an agreement would be reached at that luncheon on that day?

Mr. HUSTON. No, sir.

Mr. BEALL. You left that luncheon without knowing what you were going to do?

Mr. HUSTON. I had made up my mind what I was going to do.

Mr. BEALL. Had you made up your mind that you were going to follow the list of changes made by the United States Steel Corporation?

Mr. HUSTON. We only make one product, as I explained; and we probably determined to follow as closely as we could that price.

Mr. BEALL. Was any change made in the price of that one product?

Mr. HUSTON. Yes.

Mr. BEALL. In the statement issued by Judge Gary?

Mr. HUSTON. I do not remember his statement, but I think it was to the effect of a lower price on plates.

Mr. BEALL. Well, had you made up your mind to make that reduction before you saw that statement?

Mr. HUSTON. I do not recall when I saw the statement.

Mr. BEALL. You read the papers, do you not? It was contained in all of the papers immediately after the luncheon.

Mr. HUSTON. I do not recall. I may have read that in the paper. I do not know whether I did or not.

Mr. BEALL. Did you have any information in regard to it before you saw it in the paper?

Mr. HUSTON. There was talking done at the luncheon, I suppose.

Mr. BEALL. Did Judge Gary or anybody else representing the United States Steel Corporation indicate at that luncheon what that corporation was going to do with reference to a change of prices?

Mr. HUSTON. Judge Gary did not discuss any prices——

Mr. BEALL. Did anybody else?

Mr. HUSTON (continuing). That I know of.

Mr. BEALL. Did anybody else representing the Steel Corporation?

Mr. HUSTON. I think it likely that some of the subsidiaries discussed that they felt that they ought to drop their prices.

Mr. BEALL. At any rate, as a general thing you have followed since then the price that was——

Mr. HUSTON. Not necessarily.

Mr. BEALL (continuing). That was expressed in that statement? Have you varied from it in any instance except in some instance where some competitor broke faith and quoted a lower price?

Mr. HUSTON. Well, we were not going to reduce prices unless somebody cut the price and made it necessary.

Mr. BEALL. You did not quite answer the question. Have you varied from that change that was indicated in Judge Gary's statement since that time, except in some instance where somebody else has broken faith and has quoted a lower price?

Mr. HUSTON. I think we have got higher prices than that in cases; yes, sir.

Mr. BEALL. Have you gotten any lower prices?

Mr. HUSTON. I think so.

Mr. BEALL. Have you sold anything at lower prices except in cases where somebody else ahead of you has broken faith?

Mr. HUSTON. Well, perhaps not. I can not answer that offhand.

Mr. BEALL. You do not know of any instance?

Mr. HUSTON. I do not recollect at the moment.

Mr. BEALL. I believe you stated that your general custom was that when you expressed an opinion as to what the price ought to be, you maintained that price until you gave notice that you were going to change it, except where somebody else had violated good faith by quoting a lower price?

Mr. HUSTON. I think, as a general proposition, that is right.

Mr. BEALL. When you discovered that somebody else had quoted a price different from the one that you had expressed your determination to adhere to, did you advise anybody about that?

Mr. HUSTON. I do not remember about that, sir.

Mr. BEALL. Well, would you report that fact to anybody?

Mr. HUSTON. Not necessarily; no, sir.

Mr. BEALL. Well, I do not mean necessarily, there was no compulsion about it, but did you?

Mr. HUSTON. I do not recall it.

Mr. BEALL. You do not remember whether you did or not?

Mr. HUSTON. No, sir.

Mr. BEALL. Do you know whether it was a custom of others, other steel manufacturers, when they discovered somebody varying from the price to advise anybody else as to that fact?

Mr. HUSTON. I do not know of any such.

Mr. BEALL. Was there any person, generally understood among steel manufacturers cutting prices, that it was proper or advisable to notify of that reduction?

Mr. HUSTON. I do not think so.

Mr. BEALL. And you had not done that at all?

Mr. HUSTON. I do not recall any.

Mr. BEALL. I believe that is all.

Mr. YOUNG. I want to ask you a question or two. Do I understand you, Mr. Huston, to state that at this luncheon to which you have referred there was an implied understanding that you would all sell at the same price after that?

Mr. HUSTON. No, sir.

Mr. YOUNG. Then, how would it be any breach of faith if somebody else cut the prices?

Mr. HUSTON. Only in a general way, as I have already covered. I do not think we need reiterate that two or three times.

Mr. YOUNG. Mr. Beall has been asking you continually if you cut the price unless somebody else broke faith. Now, I can not understand that expression, to which you have seemed to assent, unless there was some understanding.

Mr. HUSTON. Simply in case he said he was going to hold to a certain price and did not do it; I would call that breaking faith with me.

Mr. YOUNG. Yes; but did these gentlemen state to you at that luncheon, representing these different concerns, what price they were going to charge in the future?

Mr. HUSTON. Did they state to me?

Mr. YOUNG. Yes.

Mr. HUSTON. I think some of them did.

Mr. YOUNG. Did they all?

Mr. HUSTON. I can not say that.

Mr. YOUNG. Did they promise you that they would notify you if they changed their rates?

Mr. HUSTON. I do not recall that.

Mr. YOUNG. Do you say that they did not?

Mr. HUSTON. No; I do not say whether they did or did not. I do not recall it.

Mr. YOUNG. You do not remember any such thing?

Mr. HUSTON. No, sir.

Mr. YOUNG. I simply want to find out, if I can, Mr. Huston, what is the exact truth about this. Certain gentlemen seem to think there was an understood agreement there.

Mr. HUSTON. There is no understood agreement. Let me say that it is the general broad principle that if a certain price is felt to be a fair and a right price, each one for himself feels that he ought to maintain that price and not vary from it to the detriment of his fellows without he should let them know, but without any agreement, express or implied, to that effect.

Mr. YOUNG. That is all there was to it?

Mr. HUSTON. That is my understanding of it.

Mr. LINDABURY. That is doing unto others as you would they should do unto you.

The CHAIRMAN. The chairman is advised that there is a caucus to be called at 2 o'clock. For that reason the committee will suspend process to attend these meetings until 10.30 o'clock to-morrow morning. All witnesses subpœnaed to appear before the committee to-day will answer to that process to-morrow morning at 10.30 o'clock.

Mr. HUSTON. Do I understand that I am excused now?

Mr. BEALL. I think we might excuse him.

The CHAIRMAN. You are excused; and I will say to you that the papers furnished to the committee will be returned to you as soon as the stenographer makes a copy of them.

(The committee thereupon adjourned until to-morrow. Wednesday, July 26, 1911, at 10.30 o'clock a. m.)

(The statements submitted by Mr. Huston follow:)

Statements.

NOVEMBER AND DECEMBER, 1900.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).		Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.			Per cent.	Pounds.
Carnegie	53.90	167,250,848	39,518,536	48.70	127,732,312	40	0	43.10	87,732,312
Jones	5.30	16,442,247	2,129,590	5.50	14,312,657	2	4	5.70	11,626,953
Lukens	6.50	20,208,338	2,438,026	6.90	17,860,312	1	8	7.90	16,209,454
A. S. & W	3.20	10,188,643	892,489	3.55	9,296,154	2	4	3.50	7,020,440
Illinois	11.10	34,406,259	354,954	13.00	34,053,305	4	8	14.00	29,655,019
Worth	5.70	17,847,779	327,098	6.70	17,520,681	1	4	8.10	16,416,967
Central	6.70	20,999,778	1,973,497	7.30	19,026,281	4	8	7.20	14,707,428
Park	3.50	11,067,019	1,446,656	3.70	9,620,333		4	4.40	8,852,619
Otis	2.10	6,701,659	36,713	2.55	6,664,946		2	2.10	6,157,804
Tidewater	2.00	6,391,318	333,337	2.10	5,557,981		0	2.40	4,837,981
Total	100.00	311,595,888	49,950,916	100.00	261,644,972	58,418,000		100.00	203,226,972

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	93,992,475		6,260,163	90.35		$21,910.57
Jones	4.75	9,653,281	1,973,672		.35	$6,907.85	
Lukens	7.50	15,242,023	967,421		.35	3,386.01	
A. S. & W	5.50	11,177,453		4,157,043	.35		14,549.65
Illinois	11.00	22,364,967	7,300,052		.35	25,550.18	
Worth	7.00	14,226,888	2,191,079		.35	7,668.78	
Central	8.00	16,256,158		1,550,735	.35		5,427.57
Park	4.50	9,145,214		292,595	.35		1,024.08
Otis	2.50	5,080,674	1,087,130		.35	3,804.95	
Tidewater	3.00	6,096,809		1,288,826	.35		4,406.90
Total	100.00	203,226,972	13,519,364	13,519,364	.35	47,317.77	47,317.77

Members.	Total for 2 months.					Tax account.	
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	40,376,300	167,250,848	53.90	127,732,312	48.70		$21,910.57
Jones	21,087,826	16,442,247	5.30	14,312,657	5.50	$6,907.85	
Lukens	14,206,000	20,208,338	6.50	17,860,312	6.90	3,386.01	
A. S. & W	14,735,950	10,188,643	3.20	9,296,154	2.55		14,549.65
Illinois	26,331,316	34,406,259	11 10	34,053,305	13.00	25,550.18	
Worth	14,000,000	17,847,779	5.70	17,520,681	6.70	7,668.78	
Central	9,000,000	20,999,778	6.70	19,026,281	7.30		5,427.57
Park		11,067,019	3.50	9,620,333	3.70		1,024.08
Otis	10,005,113	6,701,659	2.10	6,664,946	2.55	3,804.95	
Tidewater	7,300,633	6,391,318	2.00	5,557,981	2.10		4,406.90
Total	176,991,216	311,595,888	100.00	261,644,972	100.00	47,317.77	47,317.77

Glasgow:	Pounds.
Entitled to	11,428,570
Shipped	3,317,653
Short	8,110,917

Statements—Continued.

JANUARY, 1908.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	52.50	97,695,882	8,912,054	53.40	88 [illegible] 28	20,000,000	50.10	6[illegible]
Jones	5.50	10,141,896	2,581,500	4.60	7 [illegible] 96	1,342,857	4.50	[illegible]
Lukens	8.10	15,152,306	1,735,994	[illegible].10	12 [illegible] 11	825,429	8.20	12
A. S. & W	3.95	7,351,090	506,357	4.10	[illegible] 33	1,137,857	4.10	[illegible]
Illinois	9.70	17,985,729	546,542	10.60	17 [illegible] 57	2,199,143	11.30	1[illegible]
Worth	3.70	6,857,906	1,316,663	3.40	[illegible] 43	551,857	3.60	[illegible]
Central	9.10	16,880,734	2,858,458	8.40	13 [illegible] 81	2,159,429	8.60	11
Park	3.50	6,502,796	453,458	3.70	[illegible] 40	393,857	4.20	[illegible]
Otis	2.00	3,771,513	268,890	2.10	[illegible] 83	245,571	2.40	[illegible]
Tidewater	1.95	3,636,[illegible]	504,105	1.70	[illegible] 41	360,000	2.00	[illegible]
Total	100.00	186,015,699	19,683,656	100.00	166,331,743	29,209,000	100.00	127,152,743

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	63,419,269	5,364,569		80.35	$18,775.98	
Jones	4.75	6,513,330		296,291	.35		81,037.69
Lukens	7.50	10,284,206	2,306,676		.35	8,073.36	
A. S. & W	5.50	7,541,751		1,834,875	.35		6,422.06
Illinois	11.00	15,083,502	156,542		.35	547.90	
Worth	7.00	9,596,502		4,009,206	.35		16,132.22
Central	8.00	10,969,819	843,033		.35	2,950.61	
Park	4.50	6,170,523		415,040	.35		1,452.64
Otis	2.50	3,428,069		173,957	.35		608.85
Tidewater	3.00	4,113,682		1,341,441	.35		4,695.04
Total	100.00	137,122,743	8,670,810	8,670,810	.35	30,347.83	30,347.83

Members.	Total for 1 months.						Tax account.	
	Sold (pounds).		Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	89	60	264,946,730	53.20	216,516,140	50.60		88,124.61
Jones	20	51	20,583,643	5.40	21,872,509	5.10	$5,570.88	
Lukens	22	00	35,450,643	7.10	31,276,622	7.30	11,459.57	
A. S. & W	14	56	17,539,733	3.50	16,140,857	3.80		20,971.71
Illinois	59	83	52,393,988	10.60	51,492,492	12.00	26,096.06	
Worth	24	00	24,705,685	4.95	23,061,924	5.40		8,462.44
Central	13	00	37,830,512	7.60	32,998,562	7.90		2,476.96
Park	5	00	17,659,817	3.55	15,759,673	3.70		2,476.72
Otis	16	26	10,473,172	2.10	10,167,629	2.40	3,196.10	
Tidewater	10	95	10,027,664	2.00	8,690,222	2.00		9,100.94
Total	295,045,321		497,611,587	[illegible].00	427,976,715	100.00	46,624.38	46,624.38

Statements—Continued.

FEBRUARY, 1901.

Members.	Shipments, gross. Per cent.	Shipments, gross. Pounds.	Deductions as prescribed (pounds).	Shipments, net. Per cent.	Shipments, net. Pounds.	Exemptions (pounds).	Taxable shipments. Per cent.	Taxable shipments. Pounds.
Carnegie	56.65	11[illegible]71	16,240,274	55.40	10[illegible]97	[illegible]	52.90	81,862,597
Jones	5.40	1[illegible]22	882,888	5.80	1[illegible]34		6.10	9,322,377
Lukens	6.10	1[illegible]45	1,582,875	6.10	1[illegible]70		6.70	10,320,041
A. S. & W.	[illegible]	[illegible]31	1,862,985	3.90	[illegible]46		3.90	6,061,889
Illinois	9.10	1[illegible]83	400,505	10.20	1[illegible]78		10.60	16,419,535
Worth	5.10	1[illegible]39	1,313,669	5.00	[illegible]70		5.60	8,657,913
Central	7.35	1[illegible]41	1,379,370	7.60	1[illegible]71		7.60	11,794,742
Park	2.95	[illegible]42	784,995	2.90	[illegible]47		3.30	4,979,290
Otis	2.00	[illegible]08	133,908	2.20	[illegible]00		2.50	3,774,229
Tidewater	.90	[illegible]47	310,785	.90	[illegible]62		.80	1,232,868
Total	100.00	208,536,729	24,892,254	100.00	183,644,475	29,209,000	100.00	154,435,475

Members.	Entitled to. Per cent.	Entitled to. Pounds.	Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
Carnegie	[illegible]	71,426,407	16,436,190	.....	$0.35	$36,526.66	.....
Jones	4.75	7,335,685	1,996,692	.....	.35	6,988.42	.....
Lukens	7.50	11,582,661	.....	1,262,620	.35	.....	$4,419.17
A. S. & W.	5.50	8,493,951	.....	2,432,062	.35	.....	8,512.22
Illinois	11.00	16,987,902	.....	568,367	.35	.....	1,989.28
Worth	7.00	10,810,484	.....	2,152,571	.35	.....	7,534.00
Central	8.00	12,354,838	.....	560,096	.35	.....	1,960.33
Park	4.50	6,949,596	.....	1,970,306	.35	.....	6,896.07
Otis	2.50	3,860,887	.....	86,658	.35	.....	303.30
Tidewater	3.00	4,633,064	.....	3,400,202	.35	.....	11,900.71
Total	100.00	154,435,475	12,432,882	12,432,882	.35	43,515.08	43,515.08

Members.	Total for 4 months. Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account. Charged.	Tax account. Credited.
Carnegie	54,860	353,049,601	54.20	[illegible]37	52.00	$33,392.05	.....
Jones	32,393	38,141,765	5.40	[illegible]97	5.30	12,859.25	.....
Lukens	30,000	48,178,988	6.80	[illegible]93	6.90	7,040.20	.....
A. S. & W.	68,563	26,602,464	3.80	[illegible]33	3.30	.....	$29,483.93
Illinois	56,153	71,413,171	10.20	[illegible]70	11.50	24,108.80	.....
Worth	30,000	35,229,124	4.90	[illegible]94	5.30	.....	15,997.44
Central	30,000	53,164,053	7.50	[illegible]33	7.70	.....	4,437.29
Park	14,000	23,807,959	3.40	[illegible]20	3.50	.....	9,372.79
Otis	11,334	14,620,880	2.10	[illegible]29	2.30	2,892.80	.....
Tidewater	38,883	11,931,311	1.70	[illegible]64	1.70	.....	21,001.65
Total	424,296,186	706,148,316	100.00	611,621,190	100.00	80,293.10	80,293.10

Glasgow (four months):	Pounds.
Entitled to	22,857,140
Shipped	8,168,210
Short	14,688,930

Statements—Continued.

MARCH, 1901.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	54.90	12 [illegible]66	13,193,666	54.90	10 [illegible]00	20,000,000	52.40	88
Jones	4.00	[illegible]68	445,479	4.30	[illegible]89	1,342,857	4.30	7
Lukens	7.00	1 [illegible]16	4,349,796	5.60	1 [illegible]20	825,429	6.10	10
A. S. & W	4.40	[illegible]46	809,531	4.50	[illegible]15	1,137,857	4.60	7
Illinois	8.80	1 [illegible]97	1,119,307	9.30	1 [illegible]90	2,199,143	9.70	15
Worth	4.30	[illegible]81	1,013,636	4.40	[illegible]45	551,857	4.80	7
Central	10.00	2 [illegible]03	2,475,182	9.90	1 [illegible]21	2,159,429	10.40	17
Park	3.30	[illegible]63	359,746	3.50	[illegible]17	383,857	3.90	6
Otis	2.00	[illegible]73	44,387	2.20	[illegible]86	248,571	2.40	4
Tidewater	1.30	[illegible]75	184,250	1.40	[illegible]26	360,000	1.40	2
Total	100.00	219,056,988	23,994,980	100.00	195,062,008	29,209,000	100.00	165,853,008

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	76,707,016	10,249,184		$0.35	$35,872.14	
Jones	4.75	7,878,018		835,986	.35		$2,925.95
Lukens	7.50	12,438,976		2,326,585	.35		8,143.05
A. S. & W	5.50	9,121,915		1,462,957	.35		5,120.35
Illinois	11.00	18,243,831		2,266,184	.35		7,931.64
Worth	7.00	11,609,711		3,621,123	.35		12,673.93
Central	8.00	13,268,241	4,001,751		.35	14,006.13	
Park	4.50	7,463,385		959,025	.35		3,356.59
Otis	2.50	4,146,325		129,710	.35		453.98
Tidewater	3.00	4,975,590		2,649,365	.35		9,272.78
Total	100.00	165,853,008	14,250,935	14,250,935	.35	49,878.27	49,878.27

Members.	Total for 5 months.					Tax account.	
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	12 [illegible]20	508,199,467	54.50	42 [illegible]87	52.70	$69,264.19	
Jones	5 [illegible]13	46,972,133	5.10	4 [illegible]86	5.10	9,933.30	
Lukens	6 [illegible]00	63,466,604	6.90	5 [illegible]13	6.60		$1,102.85
A. S. & W	3 [illegible]12	36,208,810	3.90	3 [illegible]48	4.00		34,604.28
Illinois	12 [illegible]03	90,709,268	9.80	8 [illegible]60	10.90	16,177.16	
Worth	4 [illegible]00	44,783,205	4.80	4 [illegible]39	5.10		28,671.37
Central	5 [illegible]00	75,068,656	8.10	6 [illegible]54	8.20	9,568.84	
Park	1 [illegible]00	31,055,922	3.30	2 [illegible]07	3.50		12,729.38
Otis	2 [illegible]07	18,939,453	2.00	1 [illegible]15	2.30	2,438.82	
Tidewater	1 [illegible]71	14,801,786	1.60	1 [illegible]09	1.60		30,274.43
Total	564,480,426	925,205,304	100.00	806,683,198	100.00	107,382.31	107,382.31

Statements—Continued.

APRIL, 1901.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	53.00	10 12	5,117,979	53.80	103,762,633	20 90	51.20	83,762,633
Jones	2.70	04	276,243	2.75	5,297,361	1 57	2.40	3,954,504
Lukens	7.90	1 41	1,430,651	7.70	14,814,590	39	8.60	13,989,161
A. S. & W	4.50	06	331,233	4.60	8,882,872	1 57	4.80	7,748,015
Illinois	9.80	2 27	637,278	10.10	19,413,649	2 43	10.50	17,214,806
Worth	4.80	66	1,023,018	4.55	8,787,738	37	5.10	[illegible]
Central	10.30	2 53	3,196,548	9.40	[illegible]	2 29	9.70	15,871,476
Park	2.60	60	592,691	2.50	4,863,889	57	2.70	4,480,032
Otis	2.10	03	51,437	2.20	4,173,766	71	2.40	3,925,195
Tidewater	2.30	99	35,470	2.40	4,622,229	00	2.60	4,262,229
Total	100.00	205,342,180	12,692,548	100.00	192,649,632	29,209,000	100.00	163,440,632

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	75,591,292	8,171,341		$0.02	$16,342.68	
Jones	4.75	7,763,430		3,808,926	.02		$7,617.85
Lukens	7.50	12,258,047	1,731,114		.02	3,462.23	
A. S. & W	5.50	8,989,235		1,244,220	.02		2,488.44
Illinois	11.00	17,978,470		763,964	.02		1,527.93
Worth	7.00	11,440,844		3,204,963	.02		6,409.93
Central	8.00	13,075,251	2,796,225		.02	5,592.45	
Park	4.50	7,354,828		2,874,796	.02		5,749.59
Otis	2.50	4,086,016		160,821	.02		321.64
Tidewater	3.00	4,903,219		640,990	.02		1,281.98
Total	100.00	163,440,632	12,698,680	12,698,680	.02	25,397.36	25,397.36

Members.	Total for 6 months.					Tax account.	
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	217,932,460	612,080,079	54.20	58 70	53.00	$85,606.87	
Jones	64,826,222	52,545,737	4.70	4 47	4.60	2,315.45	
Lukens	92,264,000	79,711,845	7.10	6 83	6.80	[illegible]	
A. S. & W	47,201,619	45,422,915	4.00	4 30	4.10		$37,092.72
Illinois	134,816,762	110,760,195	9.80	10 09	10.80	14,649.23	
Worth	56,240,000	54,593,961	4.80	4 77	4.90		35,081.30
Central	[illegible]	96,296,109	8.50	8 59	8.40	15,161.29	
Park	25,452,000	36,512,502	3.20	3 26	3.30		18,478.97
Otis	34,726,110	23,164,656	2.00	2 81	2.30	2,117.18	
Tidewater	19,356,087	19,459,485	1.70	1 38	1.80		31,556.41
Total	754,815,460	1,130,547,484	100.00	999,332,830	100.00	122,209.40	122,209.40

Statements—Continued.

MAY, 1901.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	51.00	11[illegible]	6,197,474	52.00	10[illegible]	20,000,000	49.40	86,518,[illegible]
Jones	5.10	1[illegible]	573,719	5.30	1[illegible]	1,342,857	5.40	9,[illegible]
Lukens	8.00	1[illegible]	5,069,980	6.20	1[illegible]	826,429	6.80	12,[illegible]
A. S. & W.	4.20	[illegible]	174,347	4.50	[illegible]	1,137,857	4.60	8,[illegible]
Illinois	9.40	2[illegible]	970,211	9.70	2[illegible]	2,199,143	10.10	18,[illegible]
Worth	6.20	1[illegible]	882,460	6.20	1[illegible]	551,857	6.90	12,447,[illegible]
Central	8.80	1[illegible]	2,924,681	8.10	1[illegible]	2,159,429	8.20	14,[illegible]
Park	3.00	[illegible]	312,365	3.20	[illegible]	383,857	3.50	6,200,[illegible]
Otis	2.10	[illegible]	3,461	2.30	[illegible]	248,571	2.50	4,572,[illegible]
Tidewater	2.20	[illegible]	.....	2.50	[illegible]	360,000	2.60	4,707,[illegible]
Total	100.00	225,534,727	17,104,698	100.00	208,430,029	29,209,000	100.00	179,221,[illegible]

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	82,889,726	5,629,209	.....	$0.02	$11,258.42	.....
Jones	4.75	8,512,999	1,150,943	.....	.02	2,301.89	.....
Lukens	7.50	13,441,577	.....	1,312,247	.02	.....	$2,624.49
A. S. & W.	5.50	9,857,157	.....	1,595,919	.02	.....	3,191.84
Illinois	11.00	19,714,313	.....	1,628,338	.02	.....	3,256.68
Worth	7.00	12,545,472	.....	97,543	.02	.....	195.09
Central	8.00	14,337,682	294,782	.....	.02	589.56	.....
Park	4.50	8,064,946	.....	1,864,348	.02	.....	3,728.69
Otis	2.50	4,480,526	92,102	.....	.02	184.20	.....
Tidewater	3.00	5,376,631	.....	668,641	.02	.....	1,337.28
Total	100.00	179,221,029	7,167,036	7,167,036	.02	14,334.07	14,334.07

Members.	Total for 7 months.					Tax account.	
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	27[illegible]	72[illegible]	53.40	637,616,505	52.70	$96,885.29	.....
Jones	7[illegible]	6[illegible]	4.75	57,236,846	4.70	4,617.34	.....
Lukens	10[illegible]	9[illegible]	7.20	81,129,262	6.70	.....	$265.11
A. S. & W.	5[illegible]	5[illegible]	4.10	50,419,415	4.20	.....	40,284.56
Illinois	13[illegible]	13[illegible]	9.75	127,986,727	10.60	11,392.55	.....
Worth	6[illegible]	6[illegible]	5.10	62,599,663	5.20	.....	35,276.39
Central	7[illegible]	11[illegible]	8.60	101,204,952	8.40	15,750.85	.....
Park	2[illegible]	4[illegible]	3.20	39,459,381	3.30	.....	22,207.66
Otis	4[illegible]	2[illegible]	2.10	27,450,580	2.30	2,301.38	.....
Tidewater	3[illegible]	2[illegible]	1.80	22,659,528	1.90	.....	32,[illegible]
Total	882,559,724	1,356,082,211	109.00	1,207,762,829	100.00	130,927.41	130,927.41

Statements—Continued.

JUNE, 1901.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	51.30	100,296,900	4,399,158	52.90	95,897,742	20,000,000	50.00	75,897,742
Jones	2.70	5,262,793	655,649	2.50	4,607,144	1,342,857	2.10	3,264,287
Lukens	10.10	19,650,306	1,895,657	9.80	17,754,649	825,429	11.20	16,929,220
A. S. & W	3.20	6,243,879	42,846	3.40	6,201,033	1,137,857	3.30	5,063,176
Illinois	10.20	19,974,331	3,720,738	9.10	16,253,593	2,199,143	9.30	14,054,450
Worth	6.30	12,305,620	791,215	6.40	11,514,405	551,857	7.20	10,962,548
Central	9.10	17,722,134	2,507,326	8.40	15,214,808	2,159,429	8.60	13,055,379
Park	2.60	5,048,372	221,464	2.70	4,826,908	383,857	2.90	4,443,051
Otis	2.20	4,336,689	.....	2.40	4,336,689	248,571	2.70	4,088,118
Tidewater	2.30	4,537,134	114,583	2.40	4,422,551	360,000	2.70	4,062,551
Total	100.00	195,378,158	14,348,636	100.00	181,029,522	29,209,000	100.00	151,820,522

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	70,216,991	5,680,751	.....	$0.02	$11,361.50	.....
Jones	4.75	7,211,475	.....	3,947,188	.02	.....	$7,894.38
Lukens	7.50	11,386,539	5,542,681	.....	.02	11,085.36	.....
A. S. & W	5.50	8,350,129	.....	3,286,953	.02	.....	6,573.90
Illinois	11.00	16,700,257	.....	2,645,807	.02	.....	5,291.61
Worth	7.00	10,627,436	335,112	.....	.02	670.22	.....
Central	8.00	12,145,642	909,737	.....	.02	1,819.47	.....
Park	4.50	6,831,924	.....	2,388,873	.02	.....	4,777.74
Otis	2.50	3,795,513	292,605	.....	.02	585.21	.....
Tidewater	3.00	4,554,616	.....	492,065	.02	.....	984.13
Total	100.00	151,820,522	12,760,886	12,760,886	.02	25,521.76	25,521.76

Members.	Total for 8 months.					Tax account.	
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	286,749,580	827,093,388	53.30	733,514,247	52.90	$108,226.79	.....
Jones	79,088,027	69,394,048	4.50	61,843,990	4.40	.....	$3,277.04
Lukens	107,006,000	117,377,890	7.60	98,883,911	7.10	10,820.25	.....
A. S. & W	70,389,438	61,240,236	3.90	56,620,448	4.10	.....	46,858.46
Illinois	139,469,567	151,989,855	9.80	144,240,320	10.40	6,100.94	.....
Worth	77,390,000	80,781,827	5.20	74,114,068	5.30	.....	34,606.17
Central	92,600,000	133,734,817	8.60	116,419,760	8.40	17,570.32	.....
Park	36,112,000	48,457,694	3.10	44,286,289	3.20	.....	26,985.40
Otis	49,447,497	32,326,005	2.10	31,787,269	2.30	2,886.59	.....
Tidewater	27,510,004	29,064,609	1.90	27,062,079	1.90	.....	33,877.82
Total	965,762,113	1,551,460,369	100.00	1,388,792,381	100.00	145,604.89	145,604.89

Statements—Continued.

JULY, 1901.

Members.	Shipments, gross. Per cent.	Shipments, gross. Pounds.	Deductions as prescribed (pounds).	Shipments, net. Per cent.	Shipments, net. Pounds.	Exemptions (pounds).	Taxable shipments. Per cent.	Taxable shipments. Pounds.
Carnegie	49.30	92 [illegible]	3,356,826	51.10	[illegible]	20,000,000	47.70	[illegible]
Jones	3.70	6 [illegible]	510,004	3.70	[illegible]	1,342,857	3.50	[illegible]
Lukens	8.30	15 [illegible]	3,896,464	6.70	[illegible]	826,429	7.50	[illegible]
A. S. & W.	3.80	7 [illegible]	122,963	4.00	[illegible]	1,137,857	4.00	[illegible]
Illinois	11.60	21 [illegible]	820,729	12.00	[illegible]	2,199,143	12.90	[illegible]
Worth	6.20	11 [illegible]	1,316,737	5.90	[illegible]	551,857	6.70	[illegible]
Central	9.40	17 [illegible]	2,258,199	8.80	[illegible]	2,159,429	9.10	[illegible]
Park	2.30	4 [illegible]	49,655	2.50	[illegible]	383,857	2.70	[illegible]
Otis	3.00	5 [illegible]	50,496	3.20	[illegible]	248,571	3.60	[illegible]
Tidewater	2.40	4 [illegible]	765,365	2.10	[illegible]	360,000	2.30	[illegible]
Total	100.00	188,148,286	13,149,488	100.00	174,998,798	29,209,000	100.00	145,789,798

Members.	Entitled to. Per cent.	Entitled to. Pounds.	Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
Carnegie	46.25	67 [illegible]	2,091,888		$0.02	$4,183.78	
Jones	4.75	6 [illegible]		1,784,546	.02		$3,569.09
Lukens	7.50	10 [illegible]		62,469	.02		124.94
A. S. & W.	5.50	8 [illegible]		2,187,973	.02		4,375.95
Illinois	11.00	16 [illegible]	2,821,971		.02	5,643.94	
Worth	7.00	10 [illegible]		465,891	.02		931.78
Central	8.00	11 [illegible]	1,553,633		.02	3,107.27	
Park	4.50	6 [illegible]		2,608,107	.02		5,216.22
Otis	2.50	3 [illegible]	1,639,631		.02	3,279.26	
Tidewater	3.00	4 [illegible]		998,137	.02		1,996.27
Total	100.00	145,789,798	8,107,123	8,107,123	.20	16,214.25	16,214.25

Members.	Total for 9 months. Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account. Charged.	Credited.
Carnegie	00	919,909,883	53.00	16	52.60	$112,410.57	
Jones	14	76,387,378	4.40	16	4.40		36,848.13
Lukens	00	132,973,549	7.60	06	7.00	10,695.31	
A. S. & W.	38	68,331,522	3.90	71	4.10		51,234.41
Illinois	05	173,868,576	10.00	12	10.60	11,744.88	
Worth	00	92,389,816	5.30	20	5.40		35,537.95
Central	00	151,369,262	8.70	06	8.40	20,677.59	
Park	00	52,843,640	3.00	80	3.10		32,201.62
Otis	18	37,909,448	2.20	16	2.40	6,165.85	
Tidewater	27	33,565,531	1.90	36	2.00		36,874.09
Total	1,111,742,942	1,739,608,605	100.00	1,563,791,179	100.00	161,694.20	161,694.20

Statements—Continued.

AUGUST, 1901.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	49.00	101,968,514	3,409,082	49.60	9[illegible]92	20,000,000	46.40	78,547,[illegible]
Jones	4.80	10,061,122	458,406	4.80	[illegible]16	1,342,857	4.90	8,259,[illegible]
Lukens	7.50	15,615,594	2,823,604	6.40	1[illegible]80	825,429	7.10	11,966,[illegible]
A. S. & W	5.10	10,513,801	27,735	5.30	1[illegible]66	1,137,857	5.50	9,348,[illegible]
Illinois	10.50	21,741,988	827,842	10.60	2[illegible]46	2,199,143	11.10	18,714,[illegible]
Worth	6.20	12,980,252	634,179	6.20	1[illegible]78	551,857	6.90	11,794,[illegible]
Central	9.80	20,482,132	1,413,165	9.60	1[illegible]67	2,159,429	10.00	16,909,[illegible]
Park	3.00	6,174,483	64,715	3.10	[illegible]68	383,857	3.40	5,725,[illegible]
Otis	2.70	5,697,100	799	2.90	[illegible]01	248,571	3.20	5,447,[illegible]
Tidewater	1.40	2,852,967	.....	1.50	[illegible]67	360,000	1.50	2,492,967
Total	100.00	208,075,853	9,659,527	100.00	198,416,326	29,209,000	100.00	169,207,326

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	78,258,388	289,044	.....	$0.02	$578.09	.....
Jones	4.75	8,037,348	222,511	.....	.02	445.02	.....
Lukens	7.50	12,690,549	.....	723,988	.02	.....	$1,447.98
A. S. & W	5.50	9,306,493	41,806	.....	.02	83.61	.....
Illinois	11.00	18,612,806	102,097	.....	.02	204.20	.....
Worth	7.00	11,844,513	.....	50,297	.02	.....	100.59
Central	8.00	13,536,586	3,372,952	.....	.02	6,745.90	.....
Park	4.50	7,614,330	.....	1,888,419	.02	.....	3,776.84
Otis	2.50	4,230,183	1,217,547	.....	.02	2,435.10	.....
Tidewater	3.00	5,076,220	.....	2,583,253	.02	.....	5,166.51
Total	100.00	169,207,326	5,245,957	5,245,957	.02	10,491.92	10,491.92

Members.	Total for 10 months.					Tax account.	
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	410,324,620	1,0[illegible]97	52.50	92[illegible]48	52.30	$112,988.66	.....
Jones	100,865,839	8[illegible]00	4.40	7[illegible]22	4.40	.....	$6,401.11
Lukens	128,665,000	14[illegible]43	7.60	12[illegible]86	7.00	9,247.33	.....
A. S. & W	87,161,788	7[illegible]28	4.00	7[illegible]37	4.20	.....	51,150.80
Illinois	162,817,221	19[illegible]64	10.10	18[illegible]88	10.60	11,949.08	.....
Worth	101,630,000	10[illegible]68	5.40	9[illegible]93	5.50	.....	35,688.54
Central	125,600,000	17[illegible]94	8.80	15[illegible]73	8.60	27,423.49	.....
Park	44,404,000	5[illegible]23	3.10	5[illegible]48	3.10	.....	35,978.46
Otis	62,219,218	4[illegible]48	2.20	4[illegible]17	[illegible]	8,600.95	.....
Tidewater	38,204,217	3[illegible]98	1.90	3[illegible]03	1.90	.....	41,040.60
Total	1,261,891,903	1,947,684,458	100.00	1,762,207,505	[illegible]	170,209.51	170,209.51

Glasgow (shipments, November, 1900, to August, 1901, inclusive):	Pounds.
Entitled to	57,142,857
Shipped	29,346,921
Short	27,795,936

Statements—Continued.

SEPTEMBER, 1901.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	51.60	10 51	4,895,174	51.85	95,150,477	20,000,000	48.60	75,150,477
Jones	3.70	79	212,438	3.80	7,031,441	1,342,857	3.70	5,688,584
Lukens	7.80	1 31	2,592,377	6.80	12,577,254	825,429	7.60	11,751,825
A. S. & W	4.70	79	43,815	4.95	9,071,764	1,137,857	5.10	7,933,907
Illinois	10.10	1 02	55,521	10.60	19,577,381	2,199,143	11.20	17,378,238
Worth	5.50	1 68	384,677	5.60	10,339,091	551,857	6.30	9,787,234
Central	8.70	1 44	1,713,888	8.20	15,129,156	2,159,429	8.40	12,969,727
Park	2.60	01	272,465	2.65	4,868,636	383,857	2.90	4,484,779
Otis	3.00	39	46,097	3.15	5,764,042	248,571	3.60	5,515,471
Tidewater	2.30	70	29,176	2.40	4,418,394	360,000	2.60	4,058,394
Total	100.00	194,173,464	10,245,828	100.00	183,927,636	29,209,000	100.00	154,718,636

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	71,567,369	3,593,106		$0.02	$7,186.22	
Jones	4.75	7,349,135		1,660,551	.02		$3,321.10
Lukens	7.50	11,603,898	147,927		.02	295.85	
A. S. & W	5.50	8,509,525		575,618	.02		1,151.24
Illinois	11.00	17,019,050	359,188		.02	718.38	
Worth	7.00	10,830,304		1,043,070	02		2,086.14
Central	8.00	12,377,491	592,236		02	1,184.47	
Park	4.50	6,962,339		2,477,560	.02		4,955.12
Otis	2.50	3,867,906	1,647,505		.02	3,295.01	
Tidewater	3.00	4,641,559		583,165	.02		1,166.33
Total	100.00	154,718,636	6,339,964	6,339,964	.02	12,679.93	12,679.93

Members.	Total for 11 months.					Tax account.	
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	426,413,420	1,121,972,048	52.50	1,016,731,825	52.10	$120,174.88	
Jones	109,635,801	93,692,379	4.40	84,961,473	4.40		$9,722.21
Lukens	140,265,000	163,758,774	7.60	135,950,350	7.00	9,543.18	
A. S. & W	92,547,934	87,960,902	4.10	83,146,601	4.30		52,302.04
Illinois	168,375,933	215,243,366	10.00	205,789,739	10.60	12,667.40	
Worth	111,830,000	116,094,036	5.[illegible]	107,090,484	5.50		37,724.68
Central	141,600,000	188,694,438	8.80	165,994,129	8.50	28,607.90	
Park	47,072,000	64,152,224	3.00	59,600,984	3.10		40,933.58
Otis	68,370,218	49,416,687	2.30	48,780,559	2.50	11,895.90	
Tidewater	42,880,820	40,806,068	1.90	38,088,997	2.00		42,206.93
Total	1,347,891,126	2,141,857,922	100.00	1,946,135,141	100.00	182,889.44	182,889.44

Statements—Continued.

OCTOBER, 1901.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	51.00	119,830,219	4,713,118	51.90	115,117,101	20,000,000	49.50	95,117,101
Jones	3.60	8,493,503	348,531	3.70	8,144,972	1,342,857	3.50	6,802,115
Lukens	8.40	19,632,628	3,581,745	7.20	16,050,883	825,429	7.90	15,225,454
A. S. & W	4.00	9,443,351	332,246	4.10	9,111,105	1,137,857	4.10	7,973,248
Illinois	10.40	24,362,203	44,689	11.00	24,317,514	2,199,143	11.50	22,118,371
Worth	6.80	15,857,357	1,510,284	6.50	14,347,073	551,857	7.20	13,795,216
Central	8.20	19,320,630	1,826,040	7.90	17,494,590	2,159,429	7.90	15,335,161
Park	2.20	5,133,115	711,910	2.00	4,421,205	383,857	2.10	4,037,348
Otis	3.00	7,094,082	44,594	3.20	7,049,488	248,571	3.50	6,800,917
Tidewater	2.40	5,673,410	2,810	2.50	5,670,600	360,000	2.80	5,310,600
Total	100.00	234,840,498	13,115,967	100.00	221,724,531	29,209,000	100.00	192,515,531

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	89,038,433	6,078,668		$0.02	$12,157.33	
Jones	4.75	9,144,488		2,342,373	.02		$4,684.75
Lukens	7.50	14,438,665	786,789		.02	1,573.58	
A. S. & W	5.50	10,588,354		2,615,106	.02		5,230.21
Illinois	11.00	21,176,708	941,663		.02	1,883.32	
Worth	7.00	13,476,087	319,129		.02	638.26	
Central	8.00	15,401,243		66,082	.02		132.16
Park	4.50	8,663,199		4,625,851	.02		9,251.70
Otis	2.50	4,812,888	1,988,029		.02	3,976.06	
Tidewater	3.00	5,775,466		464,866	.02		929.73
Total	100.00	192,515,531	10,114,278	10,114,278	.02	20,228.55	20,228.55

Members.	Total for 8 months.					Tax account.	
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	482,708,780	1,241,802,267	52.30	1,131,848,926	52.10	$132,332.21	
Jones	113,554,294	102,185,882	4.30	93,106,445	4.30		$14,406.96
Lukens	167,636,000	183,391,402	7.70	152,001,233	7.00	11,116.76	
A. S. & W	97,772,052	97,404,253	4.10	92,257,706	4.30		57,532.26
Illinois	177,522,247	239,605,569	10.10	230,107,253	10.60	14,550.78	
Worth	125,036,000	131,951,393	5.50	121,437,557	5.60		37,086.42
Central	155,600,000	208,015,068	8.80	183,488,719	8.50	28,475.80	
Park	52,286,000	69,292,339	2.90	64,022,189	3.00		50,185.28
Otis	75,960,218	56,510,769	2.40	55,830,047	2.60	15,872.02	
Tidewater	46,349,562	46,539,478	1.90	43,759,597	2.00		43,136.66
Total	1,494,485,153	2,376,698,420	100.00	2,167,859,672	100.00	202,347.57	202,347.57

Statements—Continued.

NOVEMBER, 1901.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	50.40	9[illegible]27	3,[illegible]77	51.70	9[illegible]60	2[illegible]09	49.40	70,311,060
Jones	3.50	[illegible]89	[illegible]57	3.60	[illegible]02	1[illegible]57	3.40	4,946,945
Lukens	8.30	1[illegible]20	4,[illegible]29	6.90	11[illegible]91	[illegible]28	7.90	11,169,702
A. S. & W	3.20	[illegible]78	[illegible]35	3.40	[illegible]48	1[illegible]57	3.30	4,803,686
Illinois	8.80	M[illegible]10	[illegible]35	9.20	16[illegible]75	1[illegible]48	9.50	13,386,952
Worth	6.60	1[illegible]18	1,[illegible]12	6.40	11[illegible]04	[illegible]57	7.30	10,767,147
Central	11.00	2[illegible]72	2,[illegible]68	10.50	15[illegible]14	1[illegible]28	11.20	16,199,455
Park	2.90	[illegible]24	[illegible]60	2.80	[illegible]64	[illegible]57	2.80	4,100,607
Otis	3.20	[illegible]48	[illegible]40	3.40	[illegible]08	[illegible]71	4.00	5,793,537
Tidewater	2.20	[illegible]61	.....	[illegible]	[illegible]61	[illegible]60	2.50	3,665,161
Total	100.00	187,758,965	12,967,633	100.00	174,791,332	29,209,009	100.00	145,582,322

Members.	Entitled to.		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	67,331,524	2,979,236	.....	80.02	85,968.47	.....
Jones	4.75	6,915,160	.....	1,969,315	.02	.....	83,998.63
Lukens	7.60	10,918,674	251,069	.....	.02	502.17	.....
A. S. & W	5.50	8,007,028	.....	3,203,342	.02	.....	6,406.69
Illinois	11.00	16,014,055	.....	2,127,423	.02	.....	4,254.85
Worth	7.00	10,190,763	516,384	.....	.02	1,032.77	.....
Central	8.00	11,646,586	4,552,899	.....	.02	9,105.80	.....
Park	4.50	6,551,204	.....	2,451,197	.02	.....	4,902.39
Otis	2.50	3,639,558	2,153,079	.....	.02	4,307.96	.....
Tidewater	3.00	4,367,470	.....	702,309	.02	.....	1,404.62
Total	100.00	145,582,322	10,453,586	10,453,586	.02	20,907.17	20,907.17

Members.	Total for 13 months.					Tax account.	
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	517,619,020	1,336,061,004	52.10	1,222,159,996	52.20	$139,260.69	.....
Jones	119,471,103	108,534,971	4.30	99,395,147	[illegible]	.....	$18,345.50
Lukens	176,805,000	199,926,522	7.80	183,996,424	7.00	11,618.93	.....
A. S. & W	108,480,946	103,347,131	4.00	98,199,249	4.20	.....	63,938.93
Illinois	189,704,815	256,043,079	10.00	246,193,028	10.50	10,296.93	.....
Worth	143,022,000	144,376,909	5.60	132,596,561	5.70	.....	36,069.65
Central	173,600,000	228,493,640	8.90	201,847,633	8.60	37,581.60	.....
Park	57,666,000	74,444,463	2.90	68,506,053	2.90	.....	55,057.67
Otis	82,413,218	62,574,417	2.40	61,872,155	2.65	20,179.98	.....
Tidewater	50,416,559	50,564,639	2.00	47,784,758	2.05	.....	46,561.28
Total	1,619,258,661	2,564,467,375	100.00	2,342,650,994	100.00	217,967.12	217,967.12

		Pounds.
Glasgow Iron Co.:		
Entitled to		74,285,714
	Pounds.	
Shipments previously reported	38,755,401	
Shipped in November, 1901	3,798,913	
		42,554,314
Short		31,731,400

Statements—Continued.

DECEMBER, 1901.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Exemptions (pounds).	Taxable shipments.	
	Per cent.	Pounds.		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	53.50	93 [illegible]86	2,831,188	55.50	90 [illegible]98	20,000,000	52.90	70,331,898
Jones	5.80	10 [illegible]76	61,765	6.20	10 [illegible]11	1,342,859	6.60	8,750,552
Lukens	6.45	11 [illegible]74	5,332,612	3.60	5 [illegible]62	825,423	3.80	5,085,939
A. S. & W	2.85	4 [illegible]17	226,010	2.90	4 [illegible]07	1,137,859	2.70	3,628,348
Illinois	9.80	17 [illegible]35	301,687	10.30	16 [illegible]48	2,199,141	10.60	14,590,207
Worth	7.10	12 [illegible]31	2,164,292	6.30	10 [illegible]39	551,859	7.30	9,701,180
Central	6.70	11 [illegible]81	728,714	6.80	11 [illegible]17	2,159,423	6.60	8,870,894
Park	1.40	2 [illegible]13	43,815	1.50	2 [illegible]98	383,859	1.50	2,065,139
Otis	3.30	5 [illegible]30	14,898	3.60	5 [illegible]32	248,577	4.20	5,616,255
Tidewater	3.10	5 [illegible]8[illegible]	.....	3.30	5 [illegible]83	360,000	3.70	4,995,583
Total	100.00	174,549,976	11,704,981	100.00	162,844,995	29,209,000	100.00	133,635,995

Members.	Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.					
Carnegie	46.25	61,805,648	8,525,250	.....	$0.02	$17,050.50	.....
Jones	4.75	6,347,710	2,402,842	.....	.02	4,805.68	.....
Lukens	7.55	10,022,699	.....	4,986,760	.02	.....	39,873.52
A. S. & W	5.50	7,349,980	.....	3,721,632	.02	.....	7,443.27
Illinois	11.00	14,699,959	.....	109,752	.02	.....	219.50
Worth	7.00	9,354,520	346,600	.....	.02	693.32	.....
Central	8.00	10,690,830	.....	1,819,986	.02	.....	3,639.97
Park	4.50	6,013,620	.....	3,948,481	.02	.....	7,896.96
Otis	2.50	3,340,900	2,275,355	.....	.02	4,550.71	.....
Tidewater	3.00	4,009,079	986,504	.....	.02	1,973.01	.....
Total	100.00	133,635,995	14,536,611	14,536,611	.02	29,073.22	29,073.22

Members.	Total for 14 months.					Tax account (14 months' shipments, figured at $4 per ton).	
	[illegible] (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Charged.	Credited.
Carnegie	629,140,940	1,429,214,690	52.20	1,312,491,884	52.30	$125,656.53	.....
Jones	136,557,110	118,790,147	4.30	109,488,558	4.40	.....	$17,797.03
Lukens	212,905,000	211,170,496	7.70	169,907,786	6.80	2,218.08	.....
A. S. & W	116,361,002	108,339,348	4.00	102,965,456	4.20	.....	56,551.79
Illinois	238,811,076	273,134,114	[illegible]	262,982,376	10.50	3,143.36	.....
Worth	157,982,000	156,794,240	5.70	142,949,600	5.70	.....	23,072.60
Central	193,600,000	240,252,671	8.80	212,877,950	8.50	29,840.70	.....
Park	64,998,000	76,937,276	2.80	70,955,051	2.80	.....	57,529.20
Otis	86,413,218	68,454,147	2.50	67,736,987	2.70	23,685.47	.....
Tidewater	56,658,405	55,920,222	[illegible]	53,140,341	2.10	.....	29,593.52
Total	1,893,426,751	2,739,007,351	100.00	2,505,495,989	100.00	184,544.14	184,544.14

Statements—Continued.

JANUARY, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	54.20	118,143,799	5,162,534	54.70	112,981,265	49.47	102,265,085	10,716,180		$0.02	$21,432.36	
Jones	5.30	11,415,378	290,816	5.40	11,124,562	5.08	10,501,448	623,114		.02	1,246.23	
A. S. & W	4.30	9,492,957	128,170	4.50	9,364,787	5.88	12,155,219		2,790,432	.02		$5,580.87
Illinois	10.50	22,924,404	1,092,022	10.60	21,832,382	11.76	24,310,438		2,478,056	.02		4,956.11
Worth	7.40	16,093,615	1,089,111	7.20	15,004,504	8.56	17,695,353		2,690,849	.02		5,381.70
Central	10.80	23,556,509	2,891,161	10.00	20,665,348	8.56	17,695,353	2,969,995		.02	5,939.99	
Crucible	2.50	5,338,121	273,070	2.50	5,065,051	4.61	9,529,857		4,464,806	.02		8,929.61
Otis	2.60	5,569,930	112,368	2.60	5,457,562	2.87	5,932,906		475,344	.02		950.69
Tidewater	2.40	5,322,919	96,963	2.50	5,225,956	3.21	6,635,758		1,409,802	.02		2,819.60
Total	100.00	217,857,632	11,136,215	100.00	206,721,417	100.00	206,721,417	14,309,289	14,309,289	.02	28,618.58	28,618.58

Members.	Total for 1 month.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	50,509,200	118,143,799	54.20	112,981,265	54.70	$21,432.36	
Jones	10,756,074	11,415,378	5.30	11,124,562	5.40	1,246.23	
A. S. & W	9,793,748	9,492,957	4.30	9,364,787	4.50		$5,580.87
Illinois	39,965,880	22,924,404	10.50	21,832,382	10.60		4,956.11
Worth	16,490,000	16,093,615	7.40	15,004,504	7.20		5,381.70
Central	21,000,000	23,556,509	10.80	20,665,348	10.00	5,939.99	
Crucible	8,132,000	5,338,121	2.50	5,065,051	2.50		8,929.61
Otis	5,750,000	5,569,930	2.60	5,457,562	2.60		950.69
Tidewater	4,361,954	5,322,919	2.40	5,225,956	2.50		2,819.60
Total	166,758,856	217,857,632	100.00	206,721,417	100.00	28,618.58	28,618.58

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported		
Month of January	20,663,707	5,498,620
Total, 1 month	20,663,707	5,498,620
Shipments, net:		
Previously reported		
Month of January		5,498,620
Total, 1 month		5,498,620

Statements—Continued.

FEBRUARY, 1902

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	56.00	103,392,775	3,092,470	56.40	100,300,305	49.47	88,136,075	12,164,230		$0.02	$24,328.46	
Jones	6.90	12,771,730	362,647	6.95	12,409,083	5.08	9,050,561	3,358,522		.02	6,717.04	
A. S. & W	5.10	9,402,594	544,340	4.95	8,858,254	5.88	10,475,846		1,617,592	.02		$3,235.18
Illinois	7.94	14,623,124	414,537	7.97	14,208,587	11.76	20,951,693		6,743,106	.02		13,486.21
Worth	6.51	12,114,220	516,729	6.48	11,597,491	8.56	15,250,552		3,653,061	.02		7,306.12
Central	9.50	17,533,926	969,495	9.25	16,564,431	8.56	15,250,552	1,313,879		.02	2,627.76	
Crucible	2.60	4,821,440	532,881	2.40	4,288,559	4.61	8,213,206		3,924,647	.02		7,849.29
Otis	3.05	5,644,420	81,553	3.15	5,562,867	2.87	5,113,211	449,656		.02	899.31	
Tidewater	2.40	4,437,886	66,810	2.45	4,371,076	3.21	5,718,956		1,347,881	.02		2,695.77
Total	100.00	184,742,115	6,581,462	100.00	178,160,653	100.00	178,160,653	17,286,287	17,286,287	.02	34,572.57	34,572.57

Members.	Total for 2 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	115,235,840	221,536,574	55.20	213,281,570	55.00	$45,760.82	
Jones	31,541,992	24,187,108	6.00	23,533,645	6.20	7,963.27	
A. S. & W	19,532,736	18,895,551	4.70	18,223,041	4.80		$8,816.05
Illinois	88,653,779	37,547,528	9.30	36,040,969	9.40		18,442.32
Worth	28,830,000	28,207,835	7.00	26,601,995	6.90		12,687.82
Central	41,000,000	41,090,435	10.20	37,229,779	9.70	8,567.75	
Crucible	14,522,000	10,159,561	2.50	9,353,610	2.60		16,778.90
Otis	11,072,440	11,214,350	2.80	11,020,429	2.90		51.38
Tidewater	8,314,789	9,760,805	2.30	9,597,082	2.50		5,515.37
Total	358,703,476	402,599,747	100.00	384,882,070	100.00	62,291.84	62,291.84

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported	20,663,707	5,498,620
Month of February, 1902	Not reported.	4,554,540
Total, 2 months		10,053,160
Shipments, net:		
Previously reported		5,498,620
Month of February, 1902	Not reported.	4,519,300
Total, 2 months		10,017,920

Statements—Continued.

MARCH, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	58.40	129,001,542	5,330,273	58.60	123,671,269	49.47	104,422,790	19,248,479	.....	$0.02	$38,496.96	.....
Jones	6.60	14,760,109	980,662	6.50	13,779,447	5.08	10,723,020	3,056,427	.....	.02	6,112.85	.....
A. S. & W	4.30	9,448,534	653,649	4.10	8,794,885	5.88	12,411,684	.....	3,616,799	.02	.....	$7,233.60
Illinois	8.60	19,022,855	762,487	8.70	18,260,368	11.76	24,823,368	.....	6,563,000	.02	.....	13,126.00
Worth	6.90	15,235,699	500,506	7.00	14,735,193	8.56	18,068,710	.....	3,333,517	.02	.....	6,667.03
Central	8.10	18,009,734	1,371,833	7.90	16,637,901	8.56	18,068,710	.....	1,430,809	.02	.....	2,861.62
Crucible	2.29	4,968,523	251,627	2.20	4,716,896	4.61	9,730,929	.....	5,014,033	.02	.....	10,028.06
Otis	2.50	5,544,041	300,551	2.50	5,243,490	2.87	6,058,084	.....	814,594	.02	.....	1,629.19
Tidewater	2.40	5,252,442	8,830	2.50	5,243,612	3.21	6,775,766	.....	1,532,154	.02	.....	3,064.31
Total	100.00	221,243,479	10,160,418	100.00	211,083,061	100.00	211,083,061	22,304,906	22,304,906	.02	44,609.81	44,609.81

Total for 3 months.

Members.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	205,266,160	350,538,116	56.20	336,952,839	56.50	$84,257.78	.....
Jones	51,447,028	38,947,217	6.20	37,313,092	6.30	14,076.12	.....
A. S. & W	30,859,230	28,244,085	4.50	27,017,926	4.50	.....	$16,049.65
Illinois	167,463,755	56,570,383	9.10	54,301,337	9.10	.....	31,568.32
Worth	48,350,000	43,443,534	7.00	41,337,188	7.00	.....	19,354.85
Central	67,000,000	59,100,169	9.50	53,867,680	9.00	5,706.13	.....
Crucible	22,268,000	15,128,084	2.40	14,070,506	2.40	.....	26,806.96
Otis	18,722,440	16,758,391	2.70	16,263,919	2.70	.....	1,680.57
Tidewater	15,050,207	15,013,247	2.40	14,840,644	2.50	.....	8,579.68
Total	626,426,820	623,843,226	100.00	595,965,131	100.00	104,040.03	104,040.03

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported		10,053,160
Month of March, 1902		5,353,970
Total 3 months		15,407,130
Shipments, net:		
Previously reported		10,017,920
Month of March, 1902		5,351,327
Total 3 months		15,369,247

Statements—Continued.

APRIL, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	55.10	123,589,746	3,848,628	56.40	119,741,118	49.47	105,011,816	14,729,302		$0.02	$29,458.60	
Jones	4.60	10,378,098	228,402	4.80	10,149,696	5.08	10,783,506		633,810	.02		$1,267.62
A. S. & W	5.10	11,431,210	617,414	5.10	10,813,796	5.88	12,481,695		1,667,899	.02		3,335.80
Illinois	10.40	23,300,610	2,404,157	9.80	20,896.453	11.76	24,963,391		4,066,938	.02		8,133.88
Worth	6.90	15,395,231	1,343,097	6.60	14,052,134	8.56	18,170,631		4,118,497	.02		8,236.99
Central	10.10	22,666,677	2,283,115	9.60	20,383,562	8.56	18,170,632	2,212,930		.02	4,425.86	
Crucible	2.70	6,049,225	722,181	2.50	5,327,044	4.61	9,785,819		4,458,775	.02		8,917.55
Otis	3.10	6,939,935	182,311	3.20	6,757,624	2.87	6,092,256	665,368		.02	1,330.74	
Tidewater	2.00	4,391,861	239,555	2.00	4,152,306	3.21	6,813,987		2,661,681	.02		5,323.36
Total	100.00	224,142,593	11,868,860	100.00	212,273,733	100.00	212,273,733	17,607,600	17,607,600	.02	35,215.20	35,215.20

Members.	Total for 4 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	267,409,360	474,127,862	55.90	456,693,957	56.50	$113,716.38	
Jones	67,418,903	49,325,315	5.80	47,462,788	5.90	12,808.50	
A. S. & W	47,875,453	39,775,295	4.70	37,831,722	4.70		$19,385.45
Illinois	176,386,638	79,870,993	9.40	75,197,790	9.30		39,702.20
Worth	68,174,000	58,838,765	6.90	55,389,322	6.80		27,591.84
Central	95,000,000	81,766,846	9.70	74,251,242	9.20	10,131.99	
Crucible	28,792,000	21,177,309	2.50	19,397,550	2.40		35,724.51
Otis	12,882,440	23,698,326	2.80	23,021,543	2.80		349.83
Tidewater	19,830,770	19,405,108	2.30	18,992,950	2.40		13,903.04
Total	783,769,564	847,985,819	100.00	808,238,864	100.00	136,656.87	136,656.87

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported		15,407,120
Month of April, 1902		6,749,900
Total, 4 months		22,157,030
Shipments, net:		
Previously reported		15,369,247
Month of April, 1902		6,744,745
Total, 4 months		22,113,992

Statements—Continued.

MAY, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	59.00	130,858,724	3,971,574	59.50	125,887,150	49.47	105,321,667	21,565,483		$0.02	$43,130.97	
Jones	3.80	8,389,355	249,745	3.80	8,139,610	5.08	10,815,324		2,675,714	.02		$5,351.43
A. S. & W	5.40	12,098,295	485,842	5.50	11,612,453	5.88	12,518,524		906,071	.02		1,812.14
Illinois	6.90	15,287,382	749,388	6.80	14,537,994	11.76	25,037,049		10,499,055	.02		20,998.11
Worth	7.40	16,529,346	1,209,029	7.20	15,320,317	8.56	18,224,247		2,903,930	.02		5,807.86
Central	8.80	19,471,449	1,468,335	8.50	18,003,114	8.56	18,224,246		221,132	.02		442.26
Crucible	2.40	5,411,222	198,445	2.50	5,212,777	4.61	9,814,694		4,601,917	.02		9,203.84
Otis	3.60	7,900,758	54,765	3.70	7,845,993	2.87	6,110,232	1,735,761		.02	3,471.52	
Tidewater	2.70	6,056,968	716,301	2.50	5,340,667	3.21	6,834,092		1,493,425	.02		2,986.85
Total	100.00	222,003,499	9,103,424	100.00	212,900,075	100.00	212,900,073	23,301,244	23,301,244	.02	46,602.49	46,602.49

Members.	Total for 5 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	341,107,200	604,986,586	56.60	583,581,107	57.10	$156,847.35	
Jones	92,798,951	57,714,607	5.40	55,602,398	5.50	7,457.07	
A. S. & W	70,105,724	51,873,590	4.80	49,444,175	4.90		$21,197.59
Illinois	220,426,488	95,158,375	8.90	89,735,784	8.80		60,700.31
Worth	83,814,000	75,368,111	7.00	70,709,639	6.90		33,399.70
Central	120,000,000	101,238,295	9.50	92,254,356	9.00	9,689.73	
Crucible	37,762,000	26,588,531	2.50	24,610,327	2.40		44,928.35
Otis	15,832,440	31,599,084	2.90	30,867,536	3.00	3,121.69	
Tidewater	27,009,362	25,462,076	2.40	24,333,617	2.40		16,889.89
Total	1,008,856,165	1,069,989,318	100.00	1,021,138,939	100.00	177,115.84	177,115.84

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported	72,242,970	22,157,030
Month of May, 1902	20,372,076	6,666,192
Total, 5 months	92,615,046	28,823,222
Shipments, net:		
Previously reported	67,028,431	22,113,992
Month of May	19,902,757	6,666,192
Total, 5 months	86,931,188	28,780,184

Statements—Continued.

JUNE, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	54.30	118,792,911	2,829,004	55.20	115,963,907	49.47	103,737,140	12,226,767		$0.02	$24,453.53	
Jones	6.50	14,184,089	663,940	6.50	13,520,149	5.08	10,652,611	2,867,538		.02	5,735.06	
A. S. & W	4.30	9,279,701	664,680	4.10	8,615,021	5.88	12,330,188		3,715,167	.02		$7,430.33
Illinois	10.00	21,961,818	944,849	10.00	21,016,969	11.76	24,660,375		3,643,406	.02		7,286.81
Worth	6.60	14,479,762	538,942	6.70	13,940,820	8.56	17,950,069		4,009,249	.02		8,018.50
Central	9.60	21,004,037	2,456,106	8.90	18,547,931	8.56	17,950,069	597,862		.02	1,195.72	
Crucible	2.70	5,778,008		2.70	5,778,008	4.61	9,667,035		3,889,027	.02		7,778.05
Otis	3.10	6,842,246	214,525	3.20	6,627,721	2.87	6,018,306	609,415		.02	1,218.83	
Tidewater	2.90	6,480,224	793,681	2.70	5,686,543	3.21	6,731,276		1,044,733	.02		2,089.47
Total	100.00	218,802,796	9,105,727	100.00	209,697,069	100.00	209,697,069	16,301,582	16,301,582	.02	32,603.16	32,603.16

Members.	Total for 6 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	569,145,040	723,779,497	56.10	699,545,014	56.90	$181,300.88	
Jones	111,785,831	71,898,759	5.60	69,122,547	5.60	13,192.15	
A. S. & W	86,525,284	61,153,291	4.70	58,059,196	4.70		$28,627.92
Illinois	249,224,404	117,120,193	9.10	110,752,753	9.00		67,967.12
Worth	95,614,000	89,847,873	7.00	84,650,459	6.90		41,418.29
Central	150,000,000	122,242,332	9.50	110,802,287	9.00	10,885.45	
Crucible	45,306,000	32,366,539	2.50	30,388,335	2.50		52,706.40
Otis	19,804,967	38,441,330	3.00	37,495,257	3.00	4,340.52	
Tidewater	32,797,222	31,942,300	2.50	30,020,160	2.40		18,979.36
Total	1,360,202,748	1,288,792,114	100.00	1,230,836,008	100.00	209,719.00	209,719.00

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported	92,615,046	28,823,222
Month of June, 1902	20,545,487	4,407,988
Total, 6 months	113,160,533	33,231,210
Shipments, net:		
Previously reported	86,931,188	28,780,184
Month of June, 1902	19,910,515	4,405,065
Total, 6 months	106,841,703	33,185,249

Statements—Continued.

JULY, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	54.90	118,249,281	2,758,928	55.60	115,490,353	49.47	102,802,324	12,688,029		$0.02	$25,376.06	
Jones	5.30	11,472,374	1,313,097	4.90	10,159,277	5.08	10,556,616		397,339	.02		$794.68
A. S. & W	6.20	12,484,999	495,707	5.80	11,989,292	5.88	12,219,076		229,784	.02		459.57
Illinois	9.20	19,918,422	926,896	9.10	18,991,526	11.76	24,438,151		5,446,625	.02		10,893.25
Worth	6.50	14,160,692	78,043	6.80	14,082,649	8.56	17,788,314		3,705,665	.02		7,411.33
Central	9.30	20,236,434	1,334,606	9.10	18,901,828	8.56	17,788,314	1,113,514		.02	2,227.02	
Crucible	2.30	5,018,354	2,550	2.40	5,015,804	4.61	9,579,921		4,564,117	.02		9,128.23
Otis	3.00	6,618,356	115,684	3.10	6,502,672	2.87	5,964,073	538,599		.02	1,077.20	
Tidewater	3.30	7,152,075	478,069	3.20	6,674,006	3.21	6,670,618	3,388		.02	6.78	
Total	100.00	215,310,987	7,503,580	100.00	207,807,407	100.00	207,807,407	14,343,530	14,343,530	.02	28,687.06	28,687.06

Total for 7 months.

Members.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	774,216,720	842,028,778	56.00	815,035,367	56.70	$206,676.94	
Jones	128,216,485	83,371,133	6.20	79,281,824	5.50	12,397.47	
A. S. & W	92,257,478	73,638,290	4.80	70,048,488	4.90		$29,087.49
Illinois	251,207,703	137,038,615	9.00	129,744,279	9.00		78,880.37
Worth	105,764,000	104,008,565	6.90	98,733,108	6.90		48,829.53
Central	190,000,000	142,478,766	9.30	129,704,115	9.00	13,112.47	
Crucible	47,818,000	37,384,893	2.30	35,404,139	2.50		61,834.63
Otis	28,504,967	45,059,686	3.00	43,997,929	3.00	5,417.72	
Tidewater	40,052,482	39,094,375	2.50	36,694,166	2.50		18,972.58
Total	1,658,037,835	1,504,103,101	100.00	1,438,643,415	100.00	237,604.60	237,604.60

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported	113,160,533	33,231,210
Month of July, 1902	22,648,724	4,209,772
Total, 7 months	135,809,257	37,440,982
Shipments, net:		
Previously reported	106,841,703	33,185,249
Month of July, 1902	22,174,362	4,207,630
Total, 7 months	129,016,065	37,392,879

Statements—Continued.

AUGUST, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	55.30	124,485,951	1,881,309	56.20	122,604,642	49.47	108,014,353	14,590,289		$0.02	$29,180.58	
Jones	4.70	10,643,287	999,710	4.40	9,643,577	5.08	11,091,832		1,448,255	.02		$2,896.51
A. S. & W	5.80	13,036,834	343,330	5.80	12,692,504	5.88	12,838,577		146,073	.02		292.15
Illinois	10.00	22,672,838	586,749	10.10	22,086,089	11.76	25,677,153		3,591,064	.02		7,182.13
Worth	7.00	15,766,542	1,120,198	6.70	14,646,344	8.56	18,690,173		4,043,829	.02		8,087.66
Central	8.90	20,066,972	1,365,406	8.60	18,701,566	8.56	18,690,173	11,393		.02	22.79	
Crucible	2.60	5,971,909		2.70	5,971,909	4.61	10,065,619		4,093,710	.02		8,187.42
Otis	3.20	7,285,817	15,731	3.30	7,270,086	2.87	6,266,448	1,003,638		.02	2,007.28	
Tide Water	2.50	5,636,924	910,498	2.20	4,726,426	3.21	7,008,815		2,282,389	.02		4,564.78
Total	100.00	225,566,074	7,222,931	100.00	218,343,143	100.00	218,343,143	15,605,320	15,605,320	.02	31,210.65	31,210.65

Total for 8 months.

Members.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	880,982,400	966,514,729	55.90	937,640,009	56.60	$235,857.52	
Jones	143,622,659	94,014,420	5.50	88,925,401	5.40	9,500.96	
A. S. & W	97,218,762	86,674,124	5.00	82,740,992	5.00		$29,379.64
Illinois	252,499,118	159,711,453	9.20	151,830,368	9.00		86,062.50
Worth	116,164,000	119,775,107	6.90	113,379,452	6.80		56,917.19
Central	203,381,000	162,545,738	9.40	148,405,681	9.00	13,135.26	
Crucible	55,344,000	43,356,802	2.50	41,376,048	2.50		70,022.05
Otis	34,433,036	52,345,503	3.00	51,268,015	3.10	7,426.00	
Tide Water	46,249,070	44,731,299	2.60	41,420,592	2.50		23,537.36
Total	1,829,894,045	1,729,669,175	100.00	1,656,986,558	100.00	265,918.74	265,918.74

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported	135,809,257	37,440,982
Month of August, 1902	19,003,981	4,371,030
Total, 8 months	154,813,238	41,812,012
Shipments, net:		
Previously reported	129,016,965	37,392,879
Month of August, 1902	18,406,551	4,366,682
Total, 8 months	147,422,616	41,759,561

Statements—Continued.

SEPTEMBER, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	53.30	122,168,046	1,482,807	54.00	120,685,239	49.70	110,447,239	10,238,000		$0.02	$20,476.00	
Jones	5.50	12,606,512	1,274,240	5.10	11,332,272	5.08	11,341,661		9,389	.02		$18.78
A. S. & W	5.90	13,403,887	97,390	6.00	13,306,497	5.88	13,127,749	178,748		.02	857.50	
Illinois	9.80	22,502,060	165,771	10.00	22,336,289	11.76	26,255,499		3,919,210	.02		7,838.42
Worth	6.70	15,477,005	755,606	6.60	14,721,399	8.56	19,111,146		4,389,747	.02		8,779.50
Central	10.00	22,895,395	1,191,872	9.70	21,703,523	8.56	19,111,146	2,592,377		.02	5,184.76	
Crucible	2.60	5,948,334		2.70	5,948,334	4.61	10,292,334		4,344,000	.02		8,688.00
Otis	2.80	6,456,114		2.90	6,456,114	2.87	6,407,592	48,522		.02	97.04	
Tidewater	3.40	7,710,347	938,968	3.00	6,771,379	3.21	7,166,680		395,301	.02		790.60
Total	100.00	229,167,700	5,906,654	100.00	223,261,046	100.00	223,261,046	13,057,647	13,057,647	.02	26,115.30	26,115.30

Members.	Total for 9 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	1,216,377,200	1,088,682,775	55.60	1,058,325,248	56.00	$255,333.52	
Jones	151,910,158	106,620,932	5.40	100,257,673	5.30	9,482.18	
A. S. & W	106,268,398	100,078,011	5.10	96,047,489	5.60		$29,022.14
Illinois	261,686,467	182,213,513	9.30	174,166,657	9.20		93,900.92
Worth	125,064,000	135,252,112	6.90	128,100,851	6.80		65,696.69
Central	222,381,000	185,441,133	9.50	170,109,204	9.00	18,320.02	
Crucible	60,148,000	49,305,136	2.50	47,324,382	2.50		78,710.05
Otis	40,403,036	58,801,317	3.00	57,724,129	3.00	7,522.04	
Tidewater	8,632,145	52,441,646	2.70	48,191,971	2.60		24,327.96
Total	2,193,370,404	1,958,836,875	100.00	1,880,247,604	100.00	291,657.76	291,657.76

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported	154,813,238	41,812,012
Month of September, 1902	22,062,554	4,774,851
Total, 9 months	176,875,792	46,586,863
Shipments, net:		
Previously reported	147,422,616	41,759,561
Month of September, 1902	21,259,368	4,774,851
Total, 9 months	168,681,984	46,534,412

Statements—Continued.

OCTOBER, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	57.60	151,282,227	2,057,290	58.20	149,224,937	49.47	126,932,854	22,292,083		$0.02	$44,584.16	
Jones	6.60	17,205,193	959,950	6.30	16,245,243	5.08	13,034,544	3,210,699		.02	6,421.40	
A. S. & W	5.30	13,946,464	106,790	5.40	13,839,674	5.88	15,087,228		1,247,554	.02		$2,495.11
Illinois	9.30	24,505,755	130,018	9.50	24,375,737	11.76	30,174,457		5,798,720	.02		11,597.44
Worth	6.10	15,888,199	586,176	6.00	15,302,023	8.56	21,963,720		6,661,697	.02		13,323.39
Central	8.50	22,426,326	1,252,503	8.20	21,173,823	8.56	21,963,720		789,897	.02		1,579.79
Crucible	1.70	4,471,182		1.70	4,471,182	4.61	11,828,592		7,357,410	.02		14,714.82
Otis	2.80	7,369,886		2.90	7,369,886	2.87	7,364,004	5,882		.02	11.76	
Tidewater	2.10	5,380,244	797,235	1.80	4,583,009	3.21	8,236,395		3,653,386	.02		7,306.77
Total	100.00	262,475,476	5,889,962	100.00	256,585,514	100.00	256,585,514	25,508,664	25,508,664	.02	51,017.32	51,017.32

Members.	Total for 10 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	1,360,808,800	1,239,965,002	55.80	1,207,550,185	56.50	$390,917.68	
Jones	178,668,457	123,826,125	5.60	116,502,916	5.50	15,903.58	
A. S. & W	131,522,540	114,024,475	5.10	109,887,163	5.10		$31,517.25
Illinois	291,396,784	206,719,268	9.30	198,542,394	9.30		105,496.36
Worth	138,264,000	151,140,311	6.80	143,402,874	6.70		79,020.68
Central	357,881,000	207,867,459	9.30	191,283,027	9.00	16,740.23	
Crucible	67,284,000	53,776,318	2.40	51,795,564	2.40		93,424.87
Otis	48,963,036	66,171,503	3.00	65,094,015	3.10	7,533.80	
Tidewater	60,078,680	57,821,890	2.70	52,774,980	2.40		31,634.73
Total	2,634,867,297	2,221,312,351	100.00	2,136,833,118	100.00	341,095.29	341,095.29

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported	176,875,792	46,586,863
Month of October, 1902	16,551,565	5,437,440
Total, 10 months	193,427,357	52,024,303
Shipments, net:		
Previously reported	168,681,984	46,534,412
Month of October, 1902	15,395,100	5,437,440
Total, 10 months	184,077,084	51,971,852

Statements—Continued.

NOVEMBER, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	52.40	127,519,384	1,370,960	53.00	126,148,424	49.47	117,865,928	8,282,496		$0.02	$16,564.99	
Jones	7.10	17,243,741	876,472	6.90	16,367,269	5.08	12,103,475	4,263,794		.02	8,527.59	
A. S. & W	6.30	15,208,528	38,153	6.30	15,170,375	5.88	14,009,534	1,160,841		.02	2,321.68	
Illinois	10.10	24,507,162	26,332	10.20	24,480,830	11.76	28,019,069		3,538,239	.02		$7,076.48
Worth	6.20	15,116,978	1,338,669	5.80	13,778,309	8.56	20,394,832		6,616,523	.02		13,233.04
Central	8.50	20,678,916	720,927	8.40	19,957,989	8.56	20,394,832		436,843	.02		873.68
Crucible	3.10	7,424,057	660	3.10	7,423,397	4.61	10,983,666		3,560,269	.02		7,120.54
Otis	2.60	6,406,627	0	2.70	6,406,627	2.87	6,837,987		431,360	.02		862.72
Tidewater	3.70	8,955,699	431,534	3.60	8,524,165	3.21	7,648,062	876,103		.02	1,752.20	
Total	100.00	243,061,092	4,803,707	100.00	238,257,385	100.00	238,257,385	14,583,234	14,583,234	.02	29,166.46	29,166.46

Members.	Total for 11 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	1,391,516,640	1,367,484,386	55.50	1,233,698,609	56.10	$317,482.67	
Jones	189,510,025	141,069,866	5.70	132,870,185	5.60	24,431.17	
A. S. & W	150,969,424	129,233,003	5.20	125,057,538	5.30		$29,195.57
Illinois	328,672,500	231,226,430	9.40	223,023,224	9.40		112,574.84
Worth	151,314,000	166,257,289	6.80	157,181,183	6.60		92,253.12
Central	389,881,000	228,546,375	9.30	211,241,016	8.90	15,866.55	
Crucible	71,240,000	61,200,375	2.50	59,218,961	2.50		100,545.41
Otis	55,913,036	72,578,130	2.90	71,500,642	3.00	6,671.08	
Tidewater	64,059,178	66,777,589	2.70	61,299,145	2.60		29,882.53
Total	2,793,075,803	2,464,373,443	100.00	2,375,090,503	100.00	364,451.47	364,451.47

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported	193,427,357	52,024,303
Month of November, 1902	16,391,677	4,691,941
Total, 11 months	209,819,034	56,716,244
Shipments, net:		
Previously reported	184,077,084	51,971,852
Month of November, 1902	16,206,892	4,691,941
Total, 11 months	200,283,976	56,663,793

Statements—Continued.

DECEMBER, 1902.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	49.70	121,716,136	710,057	50.40	121,006,079	49.47	118,782,898	2,223,181		$0.02	$4,446.36	
Jones	7.70	18,723,502	825,270	7.40	17,898,232	5.08	12,197,638	5,700,594		.02	11,401.19	
A. S. & W	6.30	15,371,310	466,218	6.20	14,905,092	5.88	14,118,525	786,567		.02	1,573.13	
Illinois	11.50	28,239,714	78,473	11.70	28,161,241	11.76	28,237,050		75,809	.02		$151.62
Worth	6.90	16,945,154	1,160,140	6.60	15,785,014	8.56	20,553,499		4,768,485	.02		9,536.97
Central	8.80	21,417,558	948,670	8.50	20,468,888	8.56	20,553,499		84,611	.02		169.22
Crucible	2.70	6,644,096	31,750	2.80	6,612,346	4.61	11,069,116		4,456,770	.02		8,913.54
Otis	2.60	6,477,506	221,429	2.60	6,256,077	2.87	6,891,185		635,108	.02		1,270.21
Tidewater	3.80	9,254,307	236,304	3.80	9,018,003	3.21	7,707,562	1,310,441		.02	2,620.88	
Total	100.00	244,789,283	4,678,311	100.00	240,110,972	100.00	240,110,972	10,020,783	10,020,783	.02	20,041.56	20,041.56

Members.	Total for 12 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	1,450,707,680	1,489,200,522	55.00	1,454,704,688	55.60	$321,929.03	
Jones	211,326,259	159,793,368	5.90	159,768,417	5.80	35,832.36	
A. S. & W	177,923,998	144,604,313	5.30	139,962,630	5.30		$27,622.44
Illinois	329,373,057	259,466,144	9.60	251,184,465	9.60		112,726.46
Worth	163,854,000	183,202,443	6.80	172,966,197	6.60		101,790.09
Central	424,881,000	249,963,933	9.20	231,709,904	8.90	15,697.33	
Crucible	77,536,000	67,844,471	2.50	65,831,307	2.50		109,458.95
Otis	61,885,036	79,055,636	2.90	77,756,719	3.00	5,400.87	
Tidewater	76,504,129	76,031,896	2.80	70,317,148	2.70		27,261.65
Total	2,973,991,159	2,709,162,726	100.00	2,615,201,475	100.00	378,859.59	378,859.59

	Lukens.	Glasgow.
Shipments, gross:		
Previously reported	209,819,034	56,716,244
Month of December	23,032,702	6,317,766
Total, 12 months	232,851,736	63,034,010
Shipments, net:		
Previously reported	200,283,976	56,663,793
Month of December	22,579,617	6,317,766
Total, 12 months	222,863,593	62,981,559

Credit.

94	
	39,174.45
	3,249.93
91	
	184.13
94	
	1,529.69
91	
20	14,136.20

ccount.

	Credit.
	39,174.45
	3,249.93
	184.13
	1,529.69
	14,136.20

	Tidewater.	Lukens.	Glasgow.
	8,184,396	20,823,526	4,913,937
	8,184,396	20,823,526	4,913,937
Shipments—			
Previously			
Month of January, 1906	7,945,106	20,656,988	4,909,313
Total, 1 month	7,945,106	20,656,988	4,909,313

Statements—Continued.

FEBRUARY, 1903.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	53.90	112,430,757	1,262,028	54.40	111,168,729	53.50	109,246,633	1,922,096		$0.01	$1,922.10	
Worth	6.80	14,214,750	148,884	6.90	14,065,866	9.65	19,705,234		5,639,368	.01		$5,639.37
Central	9.40	19,529,055	1,668,956	8.80	17,860,099	9.65	19,705,23[illegible]		1,845,135	.01		1,845.13
Illinois	11.20	23,494,140	742,160	11.10	22,751,980	9.40	19,194,73[illegible]5	3,557,245		.01	3,557.24	
Jones	7.70	16,087,124	319,170	7.70	15,767,954	5.50	12,047,76[illegible]0	3,720,194		.01	3,720.19	
A. S. & W	5.70	11,904,720	260,840	5.70	11,643,880	5.30	10,822,56[illegible]	821,316		.01	821.32	
Crucible	2.50	5,212,554	1,980	2.60	5,210,574	3.60	7,351,17[illegible]		2,140,601	.01		2,140.60
Otis	2.80	5,825,471	95,239	2.80	5,730,232	3.00	6,125,979		395,747	.01		395.75
Total	100.00	208,698,571	4,499,257	100.00	204,199,314	100.00	204,199,31[illegible]	10,020,851	10,020,851	.01	10,020.85	10,020.85

Total for 2 months.

Members.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	207,822,640	242,82[illegible],436	54.30	240,150,630	55.20	$7,244.04	
Worth	34,300,000	27,88[illegible],488	6.20	27,196,436	6.20		$14,813.82
Central	51,600,000	39,18[illegible],088	8.60	36,916,192	8.50		5,094.06
Illinois	40,809,093	51,73[illegible].854	11.60	50,184,962	11.60	9,263.05	
Jones	26,895,444	33,152,257	7.40	29,221,087	6.70	3,536.06	
A. S. & W	29,736,184	27,4[illegible]9,960	6.10	26,950,144	6.20	3,877.16	
Crucible	9,856,000	12,0[illegible]5,435	2.70	12,002,930	2.70		3,669.20
Otis	8,120,431	12,[illegible]0,402	2.90	12,717,045	2.90		343.14
Total	409,139,792	447,2[illegible]9,970	100.00	435,339,426	100.00	23,920.31	23,920.31

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	8,184,306	20,823,526	4,913,937
Month of February, 1903	7,432,342	20,906,387	4,082,282
Total, 2 months	15,616,738	41,729,913	8,996,219
Shipments, net:			
Previously reported	7,945,106	20,656,988	4,909,313
Month of February, 1903	7,421,262	20,187,200	4,082,282
Total, 2 months	15,366,368	40,844,188	8,991,595

Statements—Continued.

MARCH, 1903.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	58.50	164,966,017	2,712,189	59.50	162,253,828	53.50	145,988,594	16,265,234		$0.01	$16,265.25	
Worth	6.50	18,270,855	980,784	6.30	17,290,071	9.65	26,332,522		9,042,451	.01		$9,042.45
Central	7.90	22,360,047	3,945.412	6.70	18,414,635	9.65	26,332,522		7,917,887	.01		7,917.89
Illinois	10.30	29,079,893	475,629	10.50	28,604,264	9.40	25,650,332	2,953,932		.01	2,953.92	
Jones	6.40	18,006,304	121,940	6.60	17,884,364	5.90	16,099,677	1,784,687		.01	1,784.69	
A. S. & W	5.70	15,955,352	708,968	5.60	15,246,384	5.30	14,462,422	783,962		.01	783.96	
Crucible	2.30	6,633,518	33,835	2.40	6,599,683	3.60	9,823,532		3,223,849	.01		3,223.85
Otis	2.40	6,645,650	63,002	2.40	6,582,648	3.00	8,186,276		1,603,628	.01		1,603.63
Total	100.00	281,917,636	9,041,759	100.00	272,875,877	100.00	272,875,877	21,787,815	21,787,815	.01	21,787.82	21,787.82

Members.	Total for 3 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	334,952,480	407,792,453	55.90	402,404,458	56.80	$23,509.29	
Worth	48,360,000	46,153,343	6.30	44,486,507	6.30		$23,856.27
Central	89,864,000	61,549,135	8.40	55,330,827	7.80		13,011.95
Illinois	93,994,570	80,813,747	11.10	78,789,226	11.10	12,216.97	
Jones	55,445,186	51,158,561	7.00	47,105,451	6.70	5,320.75	
A. S. & W	44,171,438	43,405,312	6.00	42,196,528	6.00	4,661.12	
Crucible	13,016,000	18,659,003	2.60	18,602,613	2.60		6,893.14
Otis	15,020,431	19,636,052	2.70	19,299,693	2.70		1,946.77
Total	694,824,105	729,167,606	100.00	708,215,303	100.00	45,708.13	45,708.13

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	15,616,738	41,729,913	8,996,219
Month of March	3,893,114	21,157,541	4,536,224
Total, 3 months	19,509,852	62,887,454	13,532,443
Shipments, net:			
Previously reported	15,366,368	40,844,188	8,991,595
Month of March	3,861,764	20,740,931	4,532,629
Total, 3 months	19,228,132	61,585,119	13,524,224

Statements—Continued.

APRIL, 1908.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	56.80	144,825,187	3,573,282	56.90	141,251,905	53.50	132,844,543	8,407,362		$0.01	$8,407.36	
Worth	6.50	16,439,990	400,669	6.50	16,039.321	9.65	23,961,679		7,922,358	.01		$7,922.36
Central	9.00	23,009,462	1,333,365	8.70	21,676,097	9.65	23,961,679		2,285,582	.01		2,285.58
Illinois	10.00	25,484,866	76,345	10.20	25,408,521	9.40	23,340,910	2,067,611		.01	2,067.61	
Jones	6.60	16,687,700	35,320	6.70	16,652,380	5.90	14,650,146	2,002,234		.01	2,002.24	
A. S. & W	6.10	15,555,814	889,873	5.90	14,665,941	5.30	13,160,301	1,505,640		.01	1,505.64	
Crucible	2.30	5,898,695	29,480	2.40	5,869,215	3.60	8,939,072		3,069,857	.01		3,069.86
Otis	2.70	6,983,413	239,236	2.70	6,744,177	3.00	7,449,227		705,050	.01		705.05
Total	100.00	254,885,127	6,577,570	100.00	248,307,557	100.00	248,307,557	13,982,847	13,982,847	.01	13,982.85	13,982.85

Total for 4 months.

Members.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	451,597,600	552,617,640	56.20	543,666,363	56.80	$31,916.65	
Worth	58,120,000	62,593,333	6.40	60,525,828	6.30		$31,778.63
Central	107,114,000	84,558,597	8.60	77,006,924	8.10		15,297.53
Illinois	113,386,098	106,298,613	10.70	104,197,747	10.90	14,284.58	
Jones	64,832,508	67,846,261	6.90	63,757,831	6.70	7,322.99	
A. S. & W	47,726,828	58,961,126	6.00	56,862,469	5.90	6,156.76	
Crucible	17,992,000	24,557,698	2.50	24,471,528	2.60		9,903.00
Otis	21,901,431	26,619,465	2.70	26,043,870	2.70		2,651.82
Total	882,670,465	984,052,733	100.00	956,522,860	100.00	59,690.98	59,690.98

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	19,509,852	62,887,454	13,532,443
Month of April	6,713,841	26,248,096	5,557,917
Total, 4 months	26,223,693	89,135,550	19,090,360
Shipments, net:			
Previously reported	19,228,132	61,585,119	13,524,224
Month of April	6,676,096	24,717,815	5,573,580
Total, 4 months	25,904,228	86,502,934	19,097,804

Statements—Continued.

MAY, 1903.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	62.10	144,781,914	2,741,517	62.30	142,040,397	53.50	121,957,984	20,082,413		$0.01	$20,082.41	
Worth	7.00	16,280.167	122,695	7.10	16,157,472	9.65	21,998,029		5,840,557	.01		$5,840.56
Central	6.40	15,012,450	932,764	6.20	14,079,686	9.65	21,998,029		7,918,343	.01		7,918.34
Illinois	7.80	18,154,598	67,293	7.90	18,087,305	9.40	21,428,132		3,340,827	.01		3,340.83
Jones	5.10	11,970,985	19,330	5.30	11,951,655	5.90	13,449,572		1,497,917	.01		1,497.92
A. S. & W	5.90	13,726,747	1,264,993	5.50	12,461,754	5.30	12,081,819	379,935		.01	379.94	
Crucible	2.50	5,790,581		2.50	5,790,581	3.60	8,206,518		2,415,937	.01		2,415.93
Otis	3.20	7,391,658	1,660	3.20	7,389,998	3.00	6,838,765	551,233		.01	551.23	
Total	100.00	233,109,100	5,150,252	100.00	227,958,848	100.00	227,958,848	21,013,581	21,013,581	.01	21,013.58	21,013.58

Total for 5 months.

Members.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	602,236,800	697,399,554	57.30	685,696,760	57.80	$51,999.06	
Worth	67,720,000	78,873,500	6.50	76,683,300	6.50		$37,619.19
Central	123,364,000	99,571,047	8.20	91,086,610	7.70		23,215.87
Illinois	117,036,422	124,453,211	10.20	122,285,052	10.30	10,943.75	
Jones	83,253,379	79,817,246	6.50	75,709,486	6.40	5,825.07	
A. S. & W	51,811,868	72,687,873	6.00	69,324,223	5.90	6,546.70	
Crucible	26,706,000	30,348,279	2.50	30,262,409	2.60		12,378.98
Otis	29,393,531	34,011,123	2.80	33,433,868	2.80		2,100.59
Total	1,101,577,000	1,217,161,833	100.00	1,184,481,708	100.00	75,314.58	75,314.58

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	26,223,693	89,135,550	19,090,360
Month of May	8,403,515	24,341,657	4,054,440
Total, 5 months	34,627,208	113,477,207	23,144,800
Shipments, net:			
Previously reported	25,904,228	86,502,934	19,097,804
Month of May	8,403,515	21,673,237	4,032,057
Total, 5 months	34,307,743	108,176,171	23,129,861

Statements—Continued.

JUNE, 1903.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	58.00	136,919,321	1,700,418	58.20	135,218,903	53.50	124,298,531	10,920,372		$0.01	$10,920.37	
Worth	6.70	15,788,362	34,073	6.80	15,754,289	9.65	22,420,202		6,665,913	.01		$6,665.91
Central	8.20	19,428,784	682,463	8.10	18,746,321	9.65	22,420,202		3,673,881	.01		3,673.88
Illinois	10.10	23,853,721	84,850	10.10	23,768,871	9.40	21,839,368	1,929,503		.01	1,929.50	
Jones	7.40	17,431,445	59,870	7.50	17,371,575	5.90	13,707,689	3,663,886		.01	3,663.89	
A. S. & W	3.70	8,843,418	1,218,987	3.30	7,624,431	5.30	12,313,686		4,689,255	.01		4,689.26
Crucible	2.60	6,169,668	90,185	2.60	6,079,483	3.60	8,364,013		2,284,530	.01		2,284.53
Otis	3.30	7,849,802	79,973	3.40	7,769,829	3.00	6,970,011	799,818		.01	799.82	
Total	100.00	236,284,521	3,950,819	100.00	232,333,702	100.00	232,333,702	17,313,579	17,313,579		17,313.58	17,313.58

Total for 6 months.

Members.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit
Carnegie	825,782,720	834,318,875	57.40	820,915,663	57.90	$62,919.43	
Worth	78,020,000	94,661,862	6.50	92,437,589	6.50		$44,285.10
Central	141,014,000	118,999,831	8.20	109,832,931	7.80		26,889.75
Illinois	128,003,591	148,306,932	10.20	146,053,923	10.20	12,873.25	
Jones	98,617,275	97,248,691	6.70	93,061,061	6.60	9,488.96	
A. S. & W	79,349,299	81,531,291	5.60	76,948,654	5.50	1,857.44	
Crucible	28,636,000	36,517,947	2.50	36,341,892	2.60		14,663.46
Otis	36,596,531	41,860,925	2.90	41,203,697	2.90		1,300.77
Total	1,416,019,416	1,453,446,354	100.00	1,416,815,410	100.00	87,139.08	87,139.08

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	34,627,208	113,477,207	23,144,800
Month of June	7,932,296	24,243,686	2,536,100
Total, 6 months	42,559,504	137,720,893	25,680,900
Shipments, net:			
Previously reported	34,307,743	108,176,171	23,129,861
Month of June	7,932,296	22,092,718	2,536,100
Total, 6 months	42,240,039	130,268,889	25,665,961

Statements—Continued.

JULY, 1903.

Members.	Shipments, gross.			ents, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.			Pounds.	Per cent.	Pounds.					
Carnegie	60.20	136,473,397			134,223,380	58.50	118,801,291	15,422,089		$0.01	$15,422.09	
Worth	6.50	14,645,967			14,561,615	9.65	21,428,644		6,867,029	.01		$6,867.03
Central	8.50	19,338,361			18,339,942	9.65	21,428,644		3,088,702	.01		3,088.70
Illinois	8.60	19,522,004			19,482,769	9.40	20,873,498		1,390,729	.01		1,390.73
Jones	6.50	14,628,653			14,540,253	5.90	13,101,451	1,438,802		.01	1,438.80	
A. S. & W	4.90	11,080,147			10,388,443	5.30	11,769,100		1,380,657	.01		1,380.66
Crucible	2.10	4,577,702			4,557,786	3.60	7,994,106		3,436,320	.01		3,436.32
Otis	2.70	6,187,855			5,984,300	3.00	6,661,754		677,454	.01		67.745
Total	100.00	226,454,086	4,395,598	100.00	222,058,498	100.00	222,058,493	16,860,891	16,860,891	.01	16,860.89	16,860.89

Members.	Total for 7 months.						account.
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).			Credit.
Carnegie	886,790,560	970,792,272	57.20	955,139,043			
Worth	89,225,000	109,307,529	6.50	106,999,204			$61,162.13
Central	165,014,000	135,338,102	8.20	128,172,873			26,978.46
Illinois	120,078,536	167,828,936	10.00	165,536,092			
Jones	111,538,354	111,877,344	6.70	107,621,314			
A. S. & W	86,367,314	92,611,428	5.50	87,337,097			
Crucible	30,982,000	41,096,649	2.40	40,879,678			18,119.78
Otis	41,596,531	48,048,780	2.90	47,187,997			1,978.22
Total	1,511,612,296	1,679,900,440	100.00	1,638,373,298	100.00	101,228.56	101,228.56

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	42,559,504	137,720,893	25,680,900
Month of July	4,378,505	21,148,898	3,281,144
Total, 7 months	46,938,009	158,869,791	28,962,044
Shipments, net:			
Previously reported	42,240,039	130,268,889	25,665,961
Month of July	4,378,505	20,303,226	3,279,191
Total, 7 months	46,618,544	150,572,115	28,945,152

Statements—Continued.

AUGUST, 1903.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	57.30	114,751,719	4,023,033	56.80	110,728,686	53.50	104,306,920	6,421,766		$0.01	$6,421.77	
Worth	5.00	10,000,687	42,535	5.10	9,958,152	9.65	18,814,239		8,856,087	.01		$8,856.09
Central	10.70	21,494,783	692,024	10.70	20,802,759	9.65	18,814,239	1,988,520		.01	1,988.52	
Illinois	8.20	16,412,399	107,588	8.40	16,304,811	9.40	18,326,823		2,022,012	.01		2,022.01
Jones	8.40	16,913,150	1,550	8.70	16,911,600	5.90	11,503,006	5,408,594		.01	5,408.59	
A. S. & W	6.40	12,826,187	200,100	6.50	12,626,087	5.30	10,333,209	2,292,878		.01	2,292.88	
Crucible	1.50	2,945,224	36,464	1.40	2,908,760	3.60	7,018,783		4,110,023	.01		4,110.02
Otis	2.50	4,923,932	198,582	2.40	4,725,350	3.00	5,848,986		1,123,636	.01		1,123.64
Total	100.00	200,268,081	5,301,876	100.00	194,966,205	100.00	194,966,205	16,111,758	16,111,758	.01	16,111.76	16,111.76
Cambria		8,637,807	1,150,039		7,487,768							

Total for 8 months.

Members.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	891,676,480	1,085,543,991	57.70	1,065,867,729	58.10	$84,763.29	
Worth	99,505,000	119,306,516	6.40	116,957,356	6.40		$60,008.22
Central	184,554,000	159,832,975	8.50	148,975,632	8.10		27,989.93
Illinois	131,144,943	184,241,335	9.80	181,841,503	9.90	9,460.51	
Jones	119,685,695	128,790,494	6.90	124,532,914	6.80	16,336.35	
A. S. & W	86,702,366	105,437,625	5.60	99,903,184	5.50	2,769.66	
Crucible	35,911,274	44,040,873	2.30	43,788,438	2.40		22,229.80
Otis	41,880,531	52,972,712	2.80	51,913,347	2.80		3,101.86
Total	1,591,060,289	1,880,168,521	100.00	1,833,840,103	100.00	113,329.81	113,329.81
Cambria	6,208,858	16,587,355		14,487,026			

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	46,938,009	158,869,791	28,962,044
Month of August	7,106,715	18,948,718	3,886,417
Total, 8 months	54,044,724	177,818,509	32,848,461
Shipments, net:			
Previously reported	46,618,544	150,572,115	28,945,152
Month of August	7,106,715	18,502,069	3,844,356
Total, 8 months	53,725,259	169,074,184	32,789,508

Statements—Continued.

SEPTEMBER, 1903.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	53.10	89,338,967	4,098,270	52.10	84,740,697	53.50	86,930,349		2,189,652	$0.01		$2,189.65
Worth	6.40	10,393,941	62,478	6.70	10,831,463	9.65	15,679,960		4,848,497	.01		4,848.50
Central	12.30	20,123,354	333,528	12.10	19,789,826	9.65	15,679,960	4,109,866		.01	$4,109.87	
Illinois	9.40	15,797,653	122,075	9.60	15,675,578	9.40	15,273,744	401,834		.01	401.83	
Jones	9.10	15,253,829	9,290	9.40	15,244,539	5.90	9,586,712	5,657,827		.01	5,657.83	
A. S. & W	5.20	8,822,273	120,210	5.40	8,702,063	5.30	8,611,792	90,271		.01	90.27	
Crucible	2.10	3,372,802	37,195	2.10	3,335,607	3.60	5,849,518		2,513,911	.01		2,513.91
Otis	2.40	4,166,861		2.60	4,166,861	3.00	4,874,599		707,738	.01		707.74
Total	100.00	167,269,680	4,783,046	100.00	162,486,634	100.00	162,486,634	10,259,798	10,259,798	.01	10,259.80	10,259.80
Cambria		7,303,351	97,965		7,205,386							

Members.	Total for 9 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	994,440,560	1,174,382,968	57.30	1,150,608,426	57.60	$82,573.64	
Worth	111,825,000	130,202,457	6.40	127,788,819	6.40		$64,856.72
Central	196,789,000	179,956,329	8.80	168,765,458	8.40		23,880.06
Illinois	144,011,770	200,038,988	9.80	197,517,081	9.90	9,862.34	
Jones	128,752,545	144,044,323	7.00	139,777,453	7.00	21,994.18	
A. S. & W	90,348,056	114,259,898	5.60	108,665,247	5.50	2,869.93	
Crucible	39,599,274	47,413,675	2.30	47,124,045	2.40		24,743.71
Otis	44,980,531	57,139,573	2.80	56,080,208	2.80		3,809.60
Total	1,750,746,736	2,047,438,201	100.00	1,996,326,737	100.00	117,290.09	117,290.09
Cambria	7,586,166	23,890,706		21,692,412			

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	54,044,724	177,818,509	32,848,461
Month of September, 1903	5,621,946	14,685,394	2,468,546
Total, 9 months	59,666,670	192,503,903	35,317,007
Shipments, net:			
Previously reported	53,725,259	169,074,184	32,789,508
Month of September, 1903	5,621,946	14,685,394	2,468,546
Total, 9 months	59,347,205	183,759,578	35,258,054

Statements—Continued.

OCTOBER, 1908.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	57.90	97,012,718	5,805,151	57.10	91,207,567	53.50	85,530,009	5,677,558		$0.01	$5,677.56	
Worth	9.10	15,108,090	40,472	9.40	15,067,618	9.65	15,427,375		359,757	.01		$359.76
Central	12.30	20,583,102	701,255	12.50	19,881,847	9.65	15,427,375	4,454,472		.01	4,454.47	
Illinois	9.40	15,670,158	877,999	9.30	14,792,159	9.40	15,027,703		235,544	.01		235.54
Jones	2.20	3,622,658	10,190	2.20	3,612,468	5.90	9,432,282		5,819,814	.01		5,819.81
A. S. & W	3.90	6,645,058	40,875	4.10	6,604,183	5.30	8,473,066		1,868,883	.01		1,868.88
Crucible	2.30	3,751,240	22,645	2.30	3,728,595	3.60	5,755,290		2,026,695	.01		2,026.70
Otis	2.90	5,017,117	42,379	3.10	4,974,738	3.00	4,796,075	178,663		.01	178.66	
Total	100.00	167,410,141	7,540,966	100.00	159,869,175	100.00	159,869,175	10,310,493	10,310,493	.01	10,310.49	10,310.49
Cambria		8,507,440			8,507,440							

Members.	Total for 10 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	1,029,344,160	1,271,395,676	57.80	1,241,815,993	57.30	$88,251.20	
Worth	126,195,000	145,310,547	6.60	142,856,437	6.60		$65,216.48
Central	205,789,000	200,539,431	9.00	188,647,305	8.80		19,425.59
Illinois	147,093,445	215,709,146	9.30	212,309,240	9.90	9,626.80	
Jones	137,642,009	147,666,981	6.60	143,389,921	6.70	16,174.37	
A. S. & W	94,251,017	120,904,956	5.50	115,269,430	5.40	991.05	
Crucible	41,863,247	51,164,915	2.30	50,852,640	2.40		26,770.41
Otis	49,980,531	62,156,690	2.90	61,054,946	2.90		3,630.94
Total	1,832,158,409	2,214,848,342	100.00	2,156,103,912	100.00	115,043.42	115,043.42
Cambria	8,945,547	32,398,146		30,199,862			

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	59,666,670	192,503,903	35,317,007
Month of October	8,115,215	13,927,360	4,829,243
Total, 10 months	67,781,885	206,431,263	40,146,250
Shipments, net:			
Previously reported	59,347,205	183,759,578	35,258,054
Month of October	8,115,215	13,183,800	4,823,643
Total, 10 months	67,462,420	196,943,378	40,081,697

Statements—Continued.

NOVEMBER, 1908.

Members.	Shipments, gross.		Deductions prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	55.70	62,069,281	5,282,873	55.70	56,788,408	53.30	54,577,393	2,209,015		$0.01	$2,209.01	
Worth	12.20	13,655,822	730,513	12.70	12,925,309	9.65	9,844,334	3,080,975		.01	3,080.98	
Central	8.10	9,066,573	652,875	8.20	8,413,698	9.35	9,844,334		1,430,636	.01		$1,430.64
Illinois	7.70	8,586,926	123,975	8.30	8,462,951	9.40	9,589,299		1,126,348	.01		1,126.35
Jones	6.70	7,499,725	2,576,845	4.80	4,992,880	5.90	8,018,815		1,095,935	.01		1,095.93
A. S. & W	4.70	5,278,031	112,720	5.10	5,165,311	5.30	8,408,752		241,421	.01		241.42
Crucible	2.10	2,302,206	14,000	2.20	2,288,206	3.60	3,672,497		1,384,291	.01		1,384.29
Otis	2.80	3,659,117	10,061	3.00	3,049,056	3.00	3,060,415		11,359	.01		11.36
Total	100.00	111,517,681	9,503,862	100.00	102,013,819	100.00	102,013,819	5,289,990	5,289,990	.01	5,289.99	5,289.99
Cambria		7,575,498	147,492		7,428,006							

Members.	Total for 11 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	1,051,995,840	1,333,464,957	57.30	1,298,602,401	57.60	$90,460.21	
Worth	135,481,000	158,966,369	6.80	155,781,746	6.90		$62,135.50
Central	211,875,000	209,606,004	9.00	197,061,003	8.70		20,856.23
Illinois	154,557,189	224,296,072	9.70	220,772,191	9.80	8,500.45	
Jones	142,274,269	155,166,706	6.70	148,312,801	6.60	15,078.44	
A. S. & W	97,440,642	126,182,987	5.40	120,434,741	5.30	749.63	
Crucible	43,145,247	53,467,121	2.30	53,140,846	2.30		28,154.70
Otis	54,590,531	65,215,807	2.80	64,104,002	2.80		3,642.30
Total	1,891,359,718	2,326,366,023	100.00	2,258,209,731	100.00	114,788.753	114,788.73
Cambria	9,903,880	39,973,044		37,627,858			

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	67,781,885	206,431,283	40,146,250
Month of November	4,285,110	9,657,618	4,334,341
Total, 11 months	72,066,995	216,088,881	44,480,591
Shipments, net:			
Previously reported	67,482,420	196,943,378	40,081,697
Month of November	4,285,110	9,578,391	4,312,476
Total, 11 months	71,747,330	206,521,769	44,394,173

Statements—Continued.

DECEMBER, 1908.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	41.70	35,571,625	7,947,177	36.40	27,624,448	53.50	40,666,293		13,041,845	$0.01		$13,041.85
Worth	11.00	9,374,457	325,282	11.90	9,049,175	9.65	7,335,135	1,714,040		.01	$1,714.04	
Central	12.50	10,659,326	162,231	13.80	10,497,095	9.65	7,335,135	3,161,960		.01	3,161.96	
Illinois	16.20	13,801,733	45,930	18.10	13,755,803	9.40	7,145,106	6,610,697		.01	6,610.70	
Jones	7.30	6,184,505	449,650	7.50	5,734,855	5.90	4,484,694	1,250,161		.01	1,250.16	
A. S. & W	2.70	2,284,124	9,315	3.00	2,274,809	5.30	4,028,623		1,753,814	.01		1,753.81
Crucible	3.00	2,613,909	113,600	3.30	2,500,309	3.60	2,736,423		236,114	.01		236.11
Otis	5.60	4,777,110	201,842	6.00	4,575,268	3.00	2,280,353	2,294,915		.01	2,294.91	
Total	100.00	85,266,789	9,255,027	100.00	76,011,762	100.00	76,011,762	15,031,773	15,031,773		15,031.77	15,031.77
Cambria		7,183,751	29,324		7,154,427							

Members.	Total for 12 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	1,075,852,800	1,369,036,582	56.80	1,326,226,849	56.80	$77,418.26	
Worth	143,925,000	168,340,826	7.00	164,830,921	7.10		$60,421.46
Central	214,875,000	220,265,330	9.10	207,558,098	8.90		17,694.27
Illinois	199,639,895	238,097,805	9.90	234,527,994	10.10	15,111.15	
Jones	149,124,408	161,351,211	6.70	154,047,656	6.60	16,328.60	
A. S. & W	99,382,196	128,467,111	5.30	122,709,550	5.26		1,004.18
Crucible	45,169,247	56,081,030	2.30	55,641,155	2.30		28,390.81
Otis	59,090,531	69,992,917	2.90	68,679,270	2.94		1,347.39
Total	1,987,059,077	2,411,632,812	100.00	2,334,221,493		108,858.11	108,858.11
Cambria	[1] 10,919,426	[1] 47,157,395		[2] 101,787,715			

	Tidewater.	Lukens.	Glasgow.
Shipments, gross:			
Previously reported	72,066,995	216,068,881	44,480,591
Month of December, 1903	7,037,182	7,334,591	5,816,355
Total, 12 months	79,104,177	223,423,472	50,296,946
Shipments, net:			
Previously reported	71,747,530	206,521,769	44,394,173
Month of December, 1903	7,037,182	6,819,965	5,816,355
Total, 12 months	78,784,712	213,341,734	50,210,528

[1] 6 months.

[2] 12 months.

Statements—Continued.

JANUARY, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	45.30	55,352,043	12,544,295	40.10	42,807,748	48.54	51,883,396		9,075,648	$0.01		$9,075.65
Illinois	6.30	7,699,627	14,215	7.20	7,685,412	8.25	8,818,253		1,132,841	.01		1,132.84
Lukens	10.50	12,891,546	732,603	11.40	12,158,943	7.72	8,251,747	3,907,196		.01	$3,907.20	
Central	6.70	8,198,073	415,420	7.20	7,782,653	7.36	7,866,951		84,298	.01		84.30
Worth	10.60	12,985,587	877,440	11.35	12,108,147	5.82	6,220,877	5,887,270		.01	$5,887.27	
Jones	4.50	4,955,776	582,690	4.10	4,373,086	5.54	5,921,591		1,548,505	.01		1,548.50
American	4.70	5,699,973	140,294	5.20	5,559,679	4.50	4,809,956	749,723		.01	749.72	
Cambria	3.85	4,717,060	38,354	4.40	4,678,706	3.54	3,783,832	894,874		.01	894.88	
Tidewater						2.68	2,864,596		2,864,596	.01		2,864.60
Otis	3.20	3,993,030	7,998	3.75	3,985,032	2.40	2,565,310	1,419,722		.01	1,419.72	
Crucible	1.90	2,275,300	52,540	2.10	2,222,760	1.99	2,127,070	95,690		.01	95.69	
Glasgow	2.90	3,525,753		3.20	3,525,753	1.66	1,774,340	1,751,413		.01	1,751.41	
Total	100.00	122,293,768	15,405,849	100.00	106,887,919	100.00	106,887,919	14,705,888	14,705,888	.01	14,705.89	14,705.89

Members.	Total for 1 month.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	53,922,169						
Illinois	22,660,071						
Lukens	20,654,000						
Central	7,235,000						
Worth	11,100,000						
Jones	7,169,250						
American	5,543,106						
Cambria	885,091						
Tidewater	448,228						
Otis	3,800,000						
Crucible	3,510,000						
Glasgow	1,303,500						
Total	138,290,406						

FEBRUARY, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	33.20	37,622,759	4,701,653	31.40	32,921,106	48.54	50,845,839		17,924,733	$0.01		$17,924.73
Illinois	11.50	12,960,426	108,645	12.30	12,851,781	8.25	8,641,907	4,209,874		.01	$4,209.87	
Lukens	13.20	14,949,885	1,045,033	13.30	13,904,852	7.72	8,086,730	5,818,122		.01	5,818.12	
Central	9.80	11,127,111	1,016,900	9.65	10,110,211	7.36	7,709,629	2,400,582		.01	2,400.58	
Worth	10.35	11,689,528	1,110,548	10.10	10,578,980	5.82	6,096,473	4,482,507		.01	4,482.51	
Jones	2.35	2,658,360	240,140	2.30	2,418,220	5.54	5,803,172		3,384,952	.01		3,384.95
American	5.90	6,721,218	124,942	6.30	6,596,276	4.50	4,713,768	1,882,508		.01	1,882.51	
Cambria	3.90	4,411,819	5,645	4.20	4,406,174	3.54	3,708,164	698,010		.01	698.01	
Tidewater						2.68	2,807,310		2,807,310	.01		2,807.31
Otis	4.60	5,158,384	62,506	4.90	5,095,878	2.40	2,514,009	2,581,869		.01	2,581.87	
Crucible	2.60	2,980,787		2.85	2,980,787	1.99	2,084,533	896,254		.01	896.25	
Glasgow	2.60	2,919,650	33,525	2.70	2,886,125	1.66	1,738,856	1,147,269		.01	1,147.27	
Total	100.00	113,199,927	8,449,537	100.00	104,750,390	100.00	104,750,390	24,116,995	24,116,995	.01	24,116.99	24,116.99

Members.	Total for 2 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	107,263,520	92,974,802	39.50	75,728,854	35.80		$27,000.38
Illinois	25,585,173	20,660,053	8.80	20,537,193	9.70	$3,077.03	
Lukens	36,442,000	27,841,431	11.80	26,063,795	12.30	9,725.32	
Central	20,495,000	19,325,184	8.20	17,892,864	8.40	2,316.28	
Worth	22,600,000	24,675,115	10.50	22,687,127	10.70	10,369.78	
Jones	10,497,214	7,614,136	3.20	6,791,306	3.30		4,933.45
American	11,534,936	12,421,191	5.30	12,155,955	5.75	2,632.23	
Cambria	1,764,686	9,128,879	3.90	9,084,880	4.30	1,592.89	
Tidewater	895,020						5,671.91
Otis	9,300,000	9,151,414	3.90	9,080,910	4.30	4,001.59	
Crucible	6,154,000	5,256,087	2.20	5,203,547	2.45	991.94	
Glasgow	3,607,100	6,445,403	2.70	6,411,878	3.00	2,898.68	
Total	256,138,649	235,493,695	100.00	211,638,309	100.00	37,605.74	37,605.74

Statements—Continued.

MARCH, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	39.80	56,962,251	12,209,967	35.50	44,752,284	48.54	61,147,306	.....	16,395,022	$0.01	.....	$16,395.02
Illinois	5.30	7,933,180	82,882	6.20	7,850,298	8.25	10,392,774	.....	2,542,476	.01	.....	2,542.47
Lukens	11.70	17,406,822	2,223,052	12.50	15,183,770	7.72	9,725,117	5,458,653	.....	.01	$5,458.65	.....
Central	9.40	14,049,097	2,638,789	9.00	11,410,308	7.36	9,271,615	2,138,693	.....	.01	2,138.69	.....
Worth	10.30	15,171,220	1,067,455	11.10	14,103,765	5.82	7,331,630	6,772,135	.....	.01	6,772.14	.....
Jones	5.50	8,269,252	1,782,225	5.10	6,487,027	5.54	6,978,906	.....	491,879	.01	.....	491.88
American	4.70	7,098,823	511,615	5.20	6,587,208	4.50	5,668,786	918,422	.....	.01	918.42	.....
Cambria	3.40	5,262,228	94,509	4.10	5,167,719	3.54	4,459,445	708,274	.....	.01	708.27	.....
Tidewater	.....	.....	.....	.....	.....	2.68	3,376,077	.....	3,376,077	.01	.....	3,376.08
Otis	4.10	6,081,542	356,205	4.50	5,725,337	2.40	3,023,353	2,701,984	.....	.01	2,701.98	.....
Crucible	4.00	5,928,505	42,987	4.60	5,885,518	1.99	2,506,863	3,378,655	.....	.01	3,378.66	.....
Glasgow	1.80	2,828,075	8,285	2.20	2,819,790	1.66	2,091,152	728,638	.....	.01	728.64	.....
Total	100.00	146,990,995	21,017,971	100.00	125,973,024	100.00	125,973,024	22,805,454	22,805,454	.01	22,805.45	22,805.45

Members.	Total for 3 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	197,050,880	149,937,053	39.20	120,481,138	35.70	.....	$43,395.40
Illinois	28,111,908	28,593,233	7.50	28,387,491	8.40	$534.56	.....
Lukens	49,200,000	45,248,253	11.90	41,247,565	12.20	15,183.97	.....
Central	37,820,000	33,374,281	8.70	29,303,172	8.65	4,454.97	.....
Worth	35,960,000	39,846,335	10.40	36,790,892	10.90	17,141.92	.....
Jones	18,272,074	15,883,388	4.10	13,278,333	3.90	.....	5,425.33
American	18,373,908	19,520,014	5.10	18,743,163	5.55	3,550.65	.....
Cambria	2,553,665	14,391,107	3.80	14,252,599	4.20	2,301.16	.....
Tidewater	1,168,606	.....	.....	.....	.....	.....	9,047.99
Otis	15,100,000	15,232,956	4.00	14,806,247	4.40	6,703.57	.....
Crucible	8,948,000	11,184,592	2.90	11,089,065	3.30	4,370.60	.....
Glasgow	6,933,600	9,273,478	2.40	9,231,668	2.80	3,627.32	.....
Total	419,492,641	382,484,690	100.00	337,611,333	100.00	57,868.72	57,868.72

APRIL, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	54.20	99,185,674	6,110,350	55.70	93,075,324	48.54	81,912,157	11,163,167		$0.01	$11,163.17	
Illinois	6.90	12,614,422	217,018	7.30	12,397,404	8.25	13,922,029		1,524,625	.01		$1,524.63
Lukens	8.35	15,265,069	2,284,466	7.60	12,980,603	7.72	13,027,644		47,041	.01		47.04
Central	8.30	15,187,489	3,707,061	6.80	11,480,428	7.36	12,420,137		939,709	.01		939.71
Worth	7.50	13,845,718	602,852	7.80	13,242,866	5.82	9,821,359	3,421,507		.01	3,421.51	
Jones	3.20	5,892,637	803,150	3.00	5,089,487	5.54	9,348,854		4,259,367	.01		4,259.37
American	2.60	4,672,273	130,950	2.60	4,541,323	4.50	7,593,834		3,052,511	.01		3,052.51
Cambria	2.50	4,596,477	226,886	2.50	4,369,591	3.54	5,973,816		1,604,225	.01		1,604.22
Tidewater						2.68	4,522,550		4,522,550	.01		4,522.55
Otis	2.60	4,809,371	147,704	2.70	4,661,667	2.40	4,050,045	611,622		.01	611.62	
Crucible	1.75	3,157,461	72,264	1.80	3,085,197	1.99	3,358,162		272,965	.01		272.96
Glasgow	2.10	3,872,287	44,309	2.20	3,827,978	1.66	2,801,281	1,026,697		.01	1,026.69	
Total	100.00	183,098,878	14,347,010	100.00	168,751,868	100.00	168,751,868	16,222,993	16,222,993	.01	16,222.99	16,222.99

Members.	Total for 4 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	229,117,040	249,122,727	44.40	213,556,462	42.20		$32,232.28
Illinois	30,705,820	41,207,655	7.20	40,784,895	8.05		990.07
Lukens	63,000,000	60,513,322	10.70	54,228,168	10.70	$15,136.93	
Central	49,180,000	48,561,770	8.50	40,783,600	8.05	3,515.26	
Worth	47,880,000	53,692,053	9.40	50,033,758	9.90	20,563.43	
Jones	28,228,724	21,776,025	3.80	18,367,820	3.60		9,684.70
American	24,261,751	24,192,287	4.20	23,284,486	4.60	498.14	
Cambria	3,999,759	18,987,584	3.30	18,622,190	3.70	696.94	
Tidewater	1,392,776						13,570.54
Otis	20,000,000	20,042,827	3.70	19,467,914	3.80	7,315.19	
Crucible	14,566,000	14,342,053	2.50	14,174,262	2.80	4,097.64	
Glasgow	10,599,900	13,145,765	2.30	13,059,646	2.60	4,654.01	
Total	522,931,770	565,583,568	100.00	506,363,201	100.00	56,477.54	56,477.54

Statements—Continued.

MAY, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	55.80	101,049,588	10,059,165	56.05	90,990,423	48.54	78,833,242	12,157,181		$0.01	$12,157.18	
Illinois	5.70	10,382,958	823,608	5.90	9,559,350	8.25	13,398,728		3,839,378	.01		$3,839.38
Lukens	8.50	15,406,274	2,291,117	8.10	13,115,157	7.72	12,537,961	577,196		.01	577.20	
Central	6.90	12,565,281	2,593,120	6.00	9,972,161	7.36	11,953,289		1,981,128	.01		1,981.13
Worth	7.70	13,890,270	632,112	8.20	13,258,158	5.82	9,452,193	3,805,965		.01	3,805.96	
Jones	5.20	9,336,114	843,150	5.25	8,492,964	5.54	8,997,449		504,485	.01		504.48
American	2.10	3,803,197	67,370	2.30	3,735,827	4.50	7,308,397		3,572,570	.01		3,572.57
Cambria	3.10	5,601,342	604,868	3.10	4,996,474	3.54	5,749,272		752,798	.01		752.80
Tidewater						2.68	4,352,556		4,352,556	.01		4,352.56
Otis	1.90	3,473,322	552,551	1.80	2,920,771	2.40	3,897,812		977,041	.01		977.04
Crucible	1.40	2,464,955	45,054	1.50	2,419,901	1.99	3,231,936		812,035	.01		812.03
Glasgow	1.70	2,976,380	28,745	1.80	2,947,635	1.66	2,696,986	251,649		.01	251.65	
Total	100.00	180,949,681	18,540,860	100.00	162,408,821	100.00	162,408,821	16,791,991	16,791,991		16,791.99	16,791.99

Members.	Total for 5 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	306,146,480	350,172,316	46.90	304,546,885	45.60		$20,075.05
Illinois	33,228,942	51,590,613	6.90	50,344,245	7.50		4,829.45
Lukens	71,650,000	75,919,596	10.20	67,343,325	10.10	$15,714.13	
Central	60,630,000	61,127,051	8.20	50,755,761	7.60	1,534.13	
Worth	59,420,000	67,582,328	9.10	63,291,916	9.50	24,369.39	
Jones	37,094,824	31,112,139	4.20	26,860,784	4.00		10,189.18
American	29,748,313	27,995,484	3.70	27,020,313	4.05		3,074.43
Cambria	5,490,782	24,588,926	3.30	23,618,664	3.50		55.86
Tidewater	1,558,523						17,928.10
Otis	23,200,000	23,515,649	3.10	22,388,686	3.40	6,338.15	
Crucible	18,106,000	16,807,008	2.25	16,594,163	2.50	3,285.61	
Glasgow	13,084,550	16,122,145	2.15	16,007,281	2.25	4,905.66	
Total	661,908,424	746,538,249	100.00	668,772,022	100.00	56,147.07	56,147.07

JUNE, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	55.45	93,898,135	9,396,722	55.40	84,501,413	48.54	74,071,988	10,429,425		$0.01	$10,429.43	
Illinois	6.60	11,113,390	845,436	6.72	10,267,954	8.25	12,589,491		2,321,537	.01		$2,321.54
Lukens	5.95	10,075,229	741,621	6.12	9,333,608	7.72	11,780,712		2,447,104	.01		2,447.10
Central	9.00	15,317,200	3,447,576	7.77	11,869,624	7.36	11,231,352	638,272		.01	638.27	
Worth	7.20	12,161,266	1,294,992	7.12	10,866,274	5.82	8,881,314	1,984,960		.01	1,984.96	
Jones	4.45	7,548,990	299,320	4.75	7,249,670	5.54	8,454,034		1,204.364	.01		1,204.36
American	2.20	3,689,376	131,860	2.33	3,557,516	4.50	6,866,995		3,309,479	.01		3,309.48
Cambria	2.60	4,530,671	187,436	2.84	4,343,235	3.54	5,402,036		1,058,801	.01		1,058.80
Tidewater						2.68	4,089,677		4,089,677	.01		4,089.68
Otis	2.80	4,673,476	181,535	2.94	4,491,941	2.40	3,662,398	829,543		.01	829.54	
Crucible	2.25	3,807,527	153,195	2.40	3,654,332	1.99	3,036,738	617,594		.01	617.59	
Glasgow	1.50	2,504,622	40,296	1.61	2,464,326	1.66	2,533,158		68,832	.01		68.83
Total	100.00	169,319,882	16,719,989	100.00	152,599,893	100.00	152,599,893	14,499,794	14,499,794	.01	14,499.79	14,499.79

Members.	Total for 6 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	420,846,480	444,070,450	48.50	389,048,298	47.40		$9,645.62
Illinois	45,537,731	62,704,003	6.85	60,612,199	7.40		7,150.99
Lukens	82,716,000	85,994,825	9.40	76,676,933	9.30	$13,267.03	
Central	77,350,000	76,444,251	8.35	62,625,385	7.70	2,172.40	
Worth	70,780,000	79,743,589	8.70	74,158,190	9.00	26,354.35	
Jones	44,831,589	38,661,129	4.20	34,110,454	4.10		11,393.54
American	33,601,002	31,684,860	3.45	30,577,829	3.70		6,383.91
Cambria	7,545,024	29,119,597	3.20	27,961,899	3.40		1,114.66
Tidewater	1,768,287						22,012.78
Otis	28,000,000	28,189,125	3.10	26,880,626	3.30	7,167.69	
Crucible	20,062,000	20,614,535	2.25	20,248,495	2.50	3,903.20	
Glasgow	15,098,250	18,626,767	2.00	18,471,607	2.20	4,836.83	
Total	848,156,363	915,853,131	100.00	821,371,915	100.00	57,701.50	57,701.50

Statements—Continued.

JULY, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	57.15	85,965,429	9,360,146	57.20	76,605,283	48.54	64,953,893	11,651,390		$0.01	$11,651.39	
Illinois	5.85	8,765,540	433,028	6.20	8,332,512	8.25	11,039,753		2,707,241	.01		$2,707.24
Lukens	7.70	11,616,274	1,039,598	7.90	10,576,676	7.72	10,330,533	246,143		.01	246.14	
Central	9.95	14,968,213	2,849,567	9.10	12,118,646	7.36	9,848,798	2,269,848		.01	2,269.85	
Worth	6.15	9,261,100	1,417,998	5.90	7,843,102	5.82	7,788,044	55,058		.01	55.06	
Jones	3.40	5,128,650	145,430	3.70	4,983,220	5.54	7,413,361		2,430,141	.01		2,430.14
American	2.00	3,030,612	1,003,473	1.50	2,027,139	4.50	6,021,684		3,994,545	.01		3,994.54
Cambria	1.80	2,715,711	199,951	1.90	2,515,760	3.54	4,737,058		2,221,298	.01		2,221.30
Tidewater						2.68	3,586,247		3,586,247	.01		3,586.25
Otis	3.05	4,577,828	161,516	3.30	4,416,312	2.40	3,211,565	1,204,747		.01	1,204.74	
Crucible	1.15	1,733,486	6,635	1.30	1,726,851	1.99	2,662,922		936,071	.01		936.07
Glasgow	1.80	2,671,639	1,950	2.00	2,669,689	1.66	2,221,332	448,357		.01	448.36	
Total	100.00	150,434,482	16,619,292	100.00	133,815,190	100.00	133,815,190	15,875,543	15,875,543	.01	15,875.54	15,875.54

Members.	Total for 7 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	464,145,920	530,035,879	49.70	465,653,581	* 48.70	$2,005.77	
Illinois	47,885,982	71,469,543	6.70	68,944,711	7.20		$9,858.23
Lukens	91,717,000	97,611,099	9.15	87,253,609	9.10	13,513.17	
Central	93,775,000	91,412,464	8.60	74,744,031	7.80	4,442.25	
Worth	80,760,000	89,004,689	8.30	82,001,292	8.70	26,409.41	
Jones	48,946,855	43,789,779	4.10	39,093,674	4.10		13,823.68
American	35,732,494	34,715,472	3.25	32,604,968	3.40		10,378.45
Cambria	8,623,083	31,835,308	3.00	30,477,659	3.20		3,335.96
Tidewater	1,913,009						25,599.03
Otis	32,700,000	32,766,953	3.10	31,296,938	3.30	8,372.43	
Crucible	22,128,000	22,348,021	2.10	21,975,346	2.30	2,967.13	
Glasgow	18,307,750	21,298,406	2.00	21,141,296	2.20	5,285.19	
Total	946,635,093	1,066,287,613	100.00	955,187,105	100.00	62,995.35	62,995.35

AUGUST, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	o ds.	Per cent.	Pou					
Carnegie	60.80	105,454,254	14,098,116	59.70	91,356,138	48.54	74,265,135	17,091,003		$0.01	$17,091.00	
Illinois	6.20	10,701,888	613,268	6.60	10,088,620	8.25	12,622,319		2,533,699	.01		$2,533.70
Lukens	5.30	9,178,617	907,584	5.40	8,271,033	7.72	11,811,431		3,540,398	.01		3,540.40
Central	8.20	14,278,903	2,176,725	7.90	12,102,178	7.36	11,260,639	841,539		.01	841.54	
Worth	7.45	12,897,302	1,481,548	7.45	11,415,754	5.82	8,904,472	2,511,282		.01	2,511.28	
Jones	3.50	6,118,022	805,760	3.50	5,312,262	5.54	8,476,078		3,163,816	.01		3,163.82
American	.80	1,401,559	276,120	.73	1,125,439	4.50	6,884,901		5,759,462	.01		5,759.46
Cambria	1.90	3,232,169	66,610	2.10	3,165,559	3.54	5,416,122		2,250,563	.01		2,250.56
Tidewater						2.68	4,100,341		4,100,341	.01		4,100.34
Otis	2.30	4,015,174	28,689	2.60	3,986,485	2.40	3,671,947	314,538		.01	314.54	
Crucible	1.75	3,081,006	40,634	1.98	3,040,372	1.99	3,044,656		4,284	.01		4.28
Glasgow	1.80	3,143,225	9,260	2.04	3,133,965	1.66	2,539,764	594,201		.01	594.20	
Total	100.00	173,502,119	20,504,314	100.00	152,997,805	100.00	152,997,805	21,352,563	21,352,563	.01	21,352.56	21,352.56

Members.	Total for 8 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	534,266,320	635,490,133	51.30	557,009.719	50.30	$19,096.77	
Illinois	50,267,190	82,171,431	6.60	79,033,331	7.10		$12,391.93
Lukens	101,129,000	106,789,716	8.60	95,524,642	8.60	9,972.77	
Central	102,953,000	105,691,367	8.50	86,846,209	7.90	5,283.79	
Worth	90,760,000	101,901,991	8.20	93,417,046	8.40	28,920.69	
Jones	58,013,976	49,907,801	4.00	44,405,936	4.00		16,987.50
American	37,197,557	36,117,031	2.90	33,730,407	3.00		16,137.91
Cambria	9,860,020	35,067,477	2.80	33,643,218	3.00		5,586.52
Tidewater	2,069,216						29,699.37
Otis	36,700,000	36,782,127	3.00	35,283,423	3.20	8,686.97	
Crucible	25,212,000	25,429,027	2.10	25,015,718	2.30	2,962.85	
Glasgow	21,185,950	24,441,631	2.00	24,275,261	2.20	5,879.39	
Total	1,069,614,229	1,239,789,732	100.00	1,108,184,910	100.00	80,803.23	80,803.23

Statements—Continued.

SEPTEMBER, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	54.95	86,314,213	19,822,846	51.40	66,491,367	48.54	62,809,780	3,681,587		$0.01	$3,681.59	
Illinois	4.90	7,724,189	120,665	5.90	7,603,524	8.25	10,675,333		3,071,809	.01		$3,071.81
Lukens	4.70	7,430,021	194,670	5.60	7,235,351	7.72	9,989,524		2,754,173	.01		2,754.17
Central	10.15	15,956,671	3,972,476	9.30	11,984,195	7.36	9,523,691	2,460,504		.01	2,460.50	
Worth	5.80	9,161,511	1,612,389	5.83	7,549,122	5.82	7,530,962	18,160		.01	18.16	
Jones	8.15	12,806,049	1,653,045	8.60	11,153,004	5.54	7,168,649	3,984,355		.01	3,984.36	
American	1.70	2,665,297	85,465	1.99	2,579,832	4.50	5,822,910		3,243,078	.01		3,243.08
Cambria	3.20	5,077,369	137,493	3.80	4,939,876	3.54	4,580,689	359,187		.01	359.19	
Tidewater	.00			.00		2.68	3,467,865		3,467,865	.01		3,467.87
Otis	3.10	4,859,998	225,374	3.58	4,634,624	2.40	3,105,551	1,529,073		.01	1,529.07	
Crucible	1.45	2,261,739		1.70	2,261,739	1.99	2,575,020		313,281	.01		313.28
Glasgow	1.90	2,980,067	14,720	2.30	2,965,347	1.66	2,148,007	817,340		.01	817.34	
Total	100.00	157,237,124	27,839,143	100.00	129,397,981	100.00	129,397,981	12,850,206	12,850,206	.01	12,850.21	12,850.21

Members.	Total for 9 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	621,366,640	721,804,346	51.70	623,501,086	50.40	$22,778.36	
Illinois	62,177,329	89,895,620	6.40	86,636,855	7.00		$15,463.74
Lukens	107,190,000	114,219,737	8.20	102,759,993	8.30	7,218.60	
Central	117,688,000	121,648,038	8.70	96,830,404	8.00	7,744.29	
Worth	99,120,000	111,063,502	7.90	100,966,168	8.20	28,938.85	
Jones	73,595,704	62,713,850	4.50	55,558,940	4.50		13,003.14
American	38,846,428	38,782,328	2.80	36,310,239	2.90		19,380.99
Cambria	11,210,611	40,144,846	2.90	38,583,094	3.10		5,227.34
Tidewater	2,108,750						33,167.23
Otis	41,700,000	41,642,125	3.00	39,918,047	3.20	10,216.04	
Crucible	27,028,000	27,690,766	2.00	27,277,457	2.20	2,649.57	
Glasgow	27,469,750	27,421,698	1.90	27,240,608	2.20	6,696.73	
Total	1,229,501,212	1,397,026,856	100.00	1,237,582,891	100.00	86,242.44	86,242.44

OCTOBER, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	54.30	101,008,680	19,193,976	52.35	81,814,704	48.54	75,910,900	5,903,804		$0.01	$5,903.81	
Illinois	4.70	8,767,998	458,509	5.30	8,309,489	8.25	12,902,038		4,592,549	.01		$4,592.55
Lukens	6.40	11,840,577	2,067,141	6.25	9,773,436	7.72	12,073,180		2,299,744	.01		2,299.74
Central	9.20	17,209,573	4,801,483	7.90	12,408,090	7.36	11,510,182	897,908		.01	897.91	
Worth	6.40	11,865,596	1,310,433	6.75	10,555,163	5.82	9,101,801	1,453,362		.01	1,453.36	
Jones	7.40	13,847,403	1,361,795	8.00	12,485,608	5.54	8,663,914	3,821,694		.01	3,821.69	
American	2.60	4,831,947	85,115	3.00	4,746,832	4.50	7,037,475		2,290,643	.01		2,290.64
Cambria	2.30	4,257,424	101,052	2.70	4,156,372	3.54	5,536,147		1,379,775	.01		1,379.78
Tidewater						2.68	4,191,208		4,191,208	.01		4,191.21
Otis	3.60	6,666,594	262,228	4.10	6,404,366	2.40	3,753,320	2,651,046		.01	2,651.05	
Crucible	1.50	2,900,853	4,844	1.85	2,896,009	1.99	3,112,128		216,119	.01		216.12
Glasgow	1.60	2,957,884	119,614	1.80	2,838,270	1.66	2,596,046	242,224		.01	242.22	
Total	100.00	186,154,529	29,766,190	100.00	156,388,339	100.00	156,388,339	14,970,038	14,970,038	.01	14,970.04	14,970.04

Members.	Total for 10 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	713,370,080	822,813,026	52.00	705,315,790	50.55	$28,682.17	
Illinois	65,076,842	98,663,618	6.25	94,946,344	6.80		$20,056.29
Lukens	124,162,000	126,060,314	7.95	112,533,429	8.10	4,918.86	
Central	127,473,000	138,857,611	8.80	111,238,494	8.05	8,642.20	
Worth	110,720,000	122,929,098	7.70	111,521,331	8.00	30,392.21	
Jones	90,078,457	76,561,253	4.80	68,044,548	4.90		9,131.45
American	39,916,885	43,614,275	2.75	41,057,071	2.95		21,671.63
Cambria	12,964,045	44,402,270	2.80	42,739,466	3.00		6,607.12
Tidewater	2,256,065						37,358.44
Otis	48,700,000	48,308,719	3.10	46,822,413	3.30	12,867.09	
Crucible	31,294,000	30,591,619	1.95	30,173,466	2.20	2,433.45	
Glasgow	30,644,150	30,379,582	1.90	30,078,878	2.15	6,938.95	
Total	1,396,655,524	1,583,181,385	100.00	1,393,971,230	100.00	94,874.93	94,874.93

Statements--Continued.

NOVEMBER, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	52.90	115,139,859	8,605,476	53.30	106,534,383	48.54	97,039,269	9,495,114		$0.01	$9,495.11	
Illinois	5.10	11,132,567	418,655	5.30	10,713,912	8.25	16,493,077		5,779,165	.01		$5,779.17
Lukens	5.90	12,954,052	1,227,460	5.80	11,726,592	7.72	15,433,522		3,706,930	.01		3,706.93
Central	7.00	15,306,814	4,693,502	5.30	10,613,312	7.36	14,713,824		4,100,512	.01		4,100.51
Worth	7.10	15,523,923	988,937	7.30	14,534,986	5.82	11,635,116	2,899,870		.01	2,899.87	
Jones	6.60	14,428,832	615,195	6.80	13,813,637	5.54	11,075,351	2,738,286		.01	2,738.29	
American	1.80	3,888,793	151,705	1.90	3,737,088	4.50	8,996,224		5,259,136	.01		5,259.14
Cambria	6.30	12,670,766	90,680	6.30	12,580,086	3.54	7,077,030	5,503,056		.01	5,503.06	
Tidewater						2.68	5,357,751		5,357,751	.01		5,357.75
Otis	3.80	8,421,811	143,136	4.20	8,278,675	2.40	4,797,986	3,480,689		.01	3,480.69	
Crucible	2.20	4,800,102	129,069	2.40	4,671,033	1.99	3,978,330	692,703		.01	692.70	
Glasgow	1.30	2,786,315	73,932	1.40	2,712,383	1.66	3,318,607		606,224	.01		606.22
Total	100.00	217,053,834	17,137,747	100.00	199,916,087	100.00	199,916,087	24,809,718	24,809,718	.01	24,809.72	24,809.72
Lackawanna		2,214,838			2,214,338							

Members.	Total for 11 months.						
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	974,178,320	937,952,885	52.00	811,850,173	50.93	$38,177.28	
Illinois	230,301,744	109,796,185	6.10	105,660,256	6.63		$25,835.46
Lukens	187,014,000	139,014,366	7.80	124,200,021	7.79	1,211.93	
Central	159,943,000	154,164,425	8.60	121,851,806	7.64	4,541.69	
Worth	128,030,000	138,453,021	7.80	126,056,317	7.91	33,292.08	
Jones	115,494,007	90,990,065	5.10	81,858,185	5.14		6,443.16
American	52,019,997	47,503,068	2.60	44,794,159	2.81		26,930.77
Cambria	14,900,946	57,073,036	3.20	55,319,552	3.47		1,104.06
Tidewater	6,030,145						42,716.19
Otis	57,200,000	56,730,530	3.10	54,601,088	3.43	16,347.78	
Crucible	35,364,000	35,391,721	1.90	34,844,499	2.19	3,126.15	
Glasgow	50,756,150	33,165,897	1.80	32,791,261	2.06	6,332.73	
Total	2,011,232,309	1,800,235,219	100.00	1,593,887,317	100.00	103,029.64	103,029.64
Lackawanna		2,214,338		2,214,338			

DECEMBER, 1904.

Members.	Shipments, gross.		Deductions as prescribed (pounds).	Shipments, net.		Entitled to—		Over (pounds).	Short (pounds).	Tax.	Debit.	Credit.
	Per cent.	Pounds.		Per cent.	Pounds.	Per cent.	Pounds.					
Carnegie	50.80	117,305,884	14,925,127	49.50	102,380,757	48.54	100,336,814	2,043,943		$0.01	$2,043.94	
Illinois	7.30	16,895,375	596,527	7.90	16,298,848	8.25	17,053,538		754,690	.01		$754.69
Lukens	7.90	18,260,185	2,480,297	7.80	15,779,883	7.72	15,957,977		178,089	.01		178.09
Central	6.60	15,290,938	3,632,679	5.60	11,658,259	7.36	15,213,823		3,555,564	.01		3,555.56
Worth	7.60	17,380,201	1,241,988	7.80	16,138,213	5.82	12,030,496	4,107,717		.01	4,107.71	
Jones	5.80	13,495,310	734,910	6.20	12,760,400	5.54	11,451,709	1,308,691		.01	1,308.69	
American	2.30	5,200,185	222,220	2.40	4,977,965	4.50	9,301,930		4,323,965	.01		4,323.96
Cambria	4.30	9,912,647	48,579	4.80	9,864,068	3.54	7,317,518	2,546,550		.01	2,546.55	
Tidewater						2.68	5,539,816		5,539,816	.01		5,539.82
Otis	3.60	8,329,934	111,226	4.00	8,218,708	2.40	4,961,029	3,257,679		.01	3,257.68	
Crucible	2.20	5,084,249	133,862	2.40	4,950,387	1.99	4,113,520	836,867		.01	836.67	
Glasgow	1.60	3,760,960	78,905	1.80	3,682,055	1.66	3,431,378	250,677		.01	250.68	
Total	100.00	230,915,868	24,206,320	100.00	206,709,548	100.00	206,709,548	14,352,124	14,352,124	.01	14,352.12	14,352.12
Lackawanna		2,898,480			2,898,480					.01		

Total for 12 months.

Members.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.	Tax account.	
						Debit.	Credit.
Carnegie	1,330,796,480	1,055,258,769	51.90	914,230,930	50.78	$40,221.22	
Illinois	249,133,505	126,691,560	6.20	121,959,104	6.77		$26,590.15
Lukens	237,563,000	157,274,551	7.80	140,039,909	7.77	1,033.84	
Central	207,943,000	169,455,363	8.40	133,510,065	7.41	986.13	
Worth	151,090,000	155,833,222	7.70	142,194,530	7.89	37,399.79	
Jones	151,106,907	104,485,395	5.10	94,618,585	5.26		5,134.47
American	63,351,435	52,703,253	2.60	49,772,124	2.77		31,254.73
Cambria	92,276,961	66,985,683	3.30	65,183,620	3.62	1,442.49	
Tidewater	7,336,198						48,256.01
Otis	65,500,000	65,060,464	3.20	62,819,796	3.49	19,605.46	
Crucible	40,266,000	40,475,970	2.00	39,794,886	2.21	3,963.02	
Glasgow	54,573,750	36,926,857	1.80	36,473,316	2.03	6,568.41	
Total	2,650,937,236	2,031,151,087	100.00	1,800,596,865	100.00	111,235.36	111,235.36
Lackawanna (2 months)		5,112,818		5,112,818			

Statements—Continued.

JANUARY, 1905.

Names.	Sold (pounds).	Shipments, gross.		Exports, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	100,596,640	48.27	116,857,572	14,269,145	48.87	102,488,427
Worth	19,576,000	8.62	20,826,126	1,030,218	8.96	19,596,908
Illinois	5,330,882	7.74	18,744,344	91,006	8.54	18,653,338
Lukens	18,700,000	8.18	19,802,481	1,687,124	8.29	18,115,357
Central	10,248,000	8.61	20,832,839	5,598,506	6.97	15,234,330
Cambria	1,393,891	3.83	9,255,621	12,511	4.23	9,243,110
Jones	26,505,035	3.94	9,524,519	504,370	4.13	9,020,149
Otis	9,000,000	3.38	8,184,979	50,853	3.72	8,134,126
American	9,527,820	2.83	6,837,502	.....	2.13	6,837,502
Glasgow	1,790,900	2.02	4,883,130	93,775	2.20	4,789,355
Tidewater	42,211	.....	.....	.....	.....	.....
Lackawanna	.....	2.68	6,469,935	.....	2.96	6,469,935
Total	202,711,379	100.00	242,019,547	23,446,510	100.00	218,573,037

FEBRUARY, 1905.

Names.	Sold (pounds).	Shipments, gross.		Exports, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	20	51.40	124,997,266	16,287,656	50.00	108,709,610
Worth	00	8.60	20,942,269	1,995,738	8.70	18,946,531
Illinois	98	6.90	16,878,594	94,133	7.70	16,784,461
Lukens	00	8.20	19,831,437	1,444,066	8.40	18,387,371
Central	00	7.00	16,923,265	4,633,677	5.65	12,289,588
Cambria	59	3.50	8,544,560	270,907	3.80	8,273,653
Jones	00	5.30	12,778,563	692,345	5.55	12,086,218
Otis	00	3.10	7,623,304	.....	3.50	7,623,304
American	45	2.70	6,669,215	65,155	[illegible]	6,604,060
Glasgow	00	1.50	3,799,340	120,975	1.70	3,678,365
Tidewater	967	.....	.....	.....	.....	.....
Lackawanna	.....	1.80	4,308,539	.....	2.00	4,308,539
Total	391,146,060	[illegible]00	243,294,372	25,604,652	100.00	217,689,720

Names.	Total for 2 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	345,928,560	241,854,838	49.80		48.40
Worth	45,776,000	41,568,395	8.60		8.80
Illinois	10,497,080	35,623,438	7.30		8.10
Lukens	59,459,000	39,633,918	8.20		8.40
Central	30,804,000	37,756,103	7.80		6.30
Cambria	8,646,650	17,800,181	3.70		4.00
Jones	36,843,935	22,303,102	4.60		4.85
Otis	16,700,000	15,808,283	3.20		3.60
American	14,683,065	13,506,717	2.80		3.10
Glasgow	24,576,900	8,682,470	1.80		1.25
Tidewater	43,178	.....	.....	.....	.....
Lackawanna	.....	10,776,474	2.20	10,776,474	2.50
Total	593,958,368	486,313,919	100.00	436,262,787	100.00

Statements—Continued.

MARCH, 1906.

Names.	Sold (pounds).	Shipment, gross.		Exports, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	212,210,960	51.80	157,986,107	30,237,737	47.80	127,748,370
Worth	27,000,660	8.50	26,144,233	1,132,312	9.40	25,011,921
Illinois	6,432,871	6.30	19,459,653	40,710	7.30	19,418,943
Lukens	45,465,000	8.30	25,319,297	1,356,945	9.00	23,962,353
Central	28,560,000	[illegible]	18,712,168	2,881,234	5.90	15,830,934
Cambria	25,949,879	4.20	12,432,452	141,604	4.60	12,290,848
Jones	18,497,052	[illegible]	11,858,601	1,328,480	3.90	10,530,121
Otis	9,700,000	3.10	9,598,084	103,822	[illegible]	9,496,162
American	8,118,624	3.00	9,148,044	45,446	3.40	9,102,598
Glasgow	262,000	1.50	4,553,293	42,480	1.70	4,510,813
Tidewater	12,044					
Lackawanna		[illegible]	9,702,430	412,115	[illegible]	9,290,315
Total	382,208,430	100.00	304,915,262	37,722,884	100.00	267,192,378

Total for 3 months.

Names.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	558,039,520	399,840,945	50.60	86,407	48.10
Worth	72,776,000	67,712,629	8.60	65,900	9.10
Illinois	16,929,961	55,063,091	7.00	57,242	7.80
Lukens	104,924,000	64,953,215	8.20	65,080	8.60
Central	59,364,000	56,468,271	7.10	54,852	6.20
Cambria	34,596,529	30,232,633	3.80	97,611	4.30
Jones	55,340,987	34,161,703	4.30	86,508	4.50
Otis	25,400,000	25,407,267	3.20	52,892	3.60
American	22,801,689	22,654,761	2.90	44,161	3.20
Glasgow	24,838,900	13,235,763	1.70	78,533	1.90
Tidewater	55,222				
Lackawanna		20,478,904	2.60	20,066,789	2.70
Total	976,066,796	790,239,181	100.00	708,455,135	100.00

APRIL, 1906.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	67,889,045	47.50	131,856,643	19,276,112	44.20	112,579,531
Worth	21,970,000	7.90	22,322,792	1,041,522	8.30	21,281,270
Illinois	3,610,267	7.20	20,310,843	4,790	8.00	20,306,053
Lukens	5,896,000	8.60	24,167,979	853,396	9.20	23,314,584
Central	45,000,000	7.00	19,634,079	3,334,929	6.40	16,299,150
Cambria	12,626,236	4.10	11,906,990	287,685	4.50	11,519,305
Jones	13,166,112	6.20	17,722,550	1,423,535	6.40	16,298,745
Otis	8,000,000	2.90	8,263,862	110,943	3.20	8,152,919
American	8,574,418	3.60	10,405,285	535,157	3.80	9,870,128
Glasgow	2,316,200	1.80	5,178,369	158,919	2.00	5,019,950
Lackawanna		3.20	9,442,852		3.30	9,442,852
Total	190,200,281	100.00	281,101,774	27,027,287	100.00	264,074,487

Statements—Continued.

APRIL, 1905—Continued.

Names.	Total for 4 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	625,928,568	531,696,588	49.60	451,525,938	47.10
Worth	94,746,000	90,035,420	8.40	85,826,630	9.00
Illinois	20,540,218	75,393,934	7.00	75,163,295	7.80
Lukens	110,760,000	89,121,194	8.30	83,779,664	8.70
Central	104,364,000	76,092,350	7.10	59,644,002	6.20
Cambria	47,222,765	42,039,623	3.90	41,326,916	4.30
Jones	68,509,099	51,884,283	4.80	47,935,253	5.00
Otis	35,400,000	33,671,129	3.20	33,405,511	3.50
American	31,676,107	33,060,046	3.10	32,414,289	3.40
Glasgow	27,155,100	18,414,632	1.80	17,998,483	1.90
Tidewater	55,222				
Lackawanna		29,921,756	2.80	29,509,641	3.10
Total	1,166,357,079	1,071,330,955	100.00	958,529,622	100.00

MAY, 1905.

Names.	Sold (pounds).	Shipments, gross.		Exports, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	39,721,280	48.90	171,874,383	18,651,102	47.40	153,223,281
Worth	28,000,000	6.90	24,358,461	2,310,360	6.80	22,048,101
Illinois	34,008,551	6.60	23,123,915	320,483	7.10	22,803,432
Lukens	21,344,000	9.10	32,138,458	2,412,945	9.20	29,725,513
Central	16,000,000	7.10	25,031,815	1,809,411	7.20	23,222,404
Cambria	7,272,111	4.40	15,407,618	151,856	4.70	15,255,762
Jones	6,506,918	5.90	20,750,437	997,445	6.10	19,752,992
Otis	9,000,000	2.40	8,530,953	265,040	2.60	8,265,913
American	7,883,089	3.30	11,681,622	1,436,955	3.20	10,244,667
Glasgow	1,266,800	1.20	4,209,582	211,867	1.20	3,997,715
Lackawanna		4.20	14,545,630		4.50	14,545,630
Total	171,002,749	100.00	351,652,874	28,567,464	100.00	323,085,410

Names.	Total for 5 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	665,649,848	703,570,971	49.50	604,749,219	47.10
Worth	122,746,000	114,393,881	8.10	107,874,731	8.40
Illinois	54,548,769	98,517,849	6.90	97,966,727	7.60
Lukens	132,104,000	121,260,652	8.50	113,505,177	8.90
Central	120,364,000	101,124,165	7.10	82,866,406	6.40
Cambria	54,494,876	57,447,241	4.00	56,582,678	4.40
Jones	75,016,017	72,634,720	5.10	67,688,245	5.30
Otis	44,400,000	42,202,082	2.90	41,671,424	3.30
American	39,559,196	44,741,668	3.20	42,658,956	3.40
Glasgow	28,421,900	22,624,214	1.60	21,996,198	1.70
Tidewater	55,222				
Lackawanna		44,467,386	3.10	44,055,271	3.50
Total	1,337,359,828	1,422,983,829	100.00	1,281,615,032	100.00

Statements—Continued.

JUNE, 1905.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	140,346,480	41.30	125,934,923	10,597,166	40.80	115,337,757
Worth	25,400,000	7.90	24,009,791	1,715,182	7.90	22,294,609
Illinois	32,065,313	7.60	23,048,241	298,300	8.00	22,749,941
Lukens	24,647,000	11.80	35,256,008	2,693,447	11.60	32,562,561
Central	27,365,000	7.60	23,289,380	2,322,631	7.40	20,966,749
Cambria	2,558,395	4.10	12,402,544	49,350	4.30	12,353,194
Jones	7,858,667	5.30	16,286,354	1,245,495	5.30	15,040,859
Otis	9,000,000	2.70	8,455,857	33,585	3.00	8,422,272
American	5,320,675	4.50	13,833,809	2,667,483	4.00	11,166,326
Glasgow	3,755,300	1.80	5,413,142	99,725	1.80	5,313,417
Lackawanna	.....	5.40	16,507,192	.....	5.90	16,507,192
Total	278,316,830	100.00	304,437,241	21,722,364	100.00	282,714,877

Names.	Total for 6 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	805,996,328	829,505,894	48.30	720,086,976	46.30
Worth	148,146,000	138,403,672	8.00	130,169,340	8.30
Illinois	86,614,082	121,506,090	7.00	120,716,668	7.70
Lukens	156,751,000	156,515,660	9.00	146,067,738	9.30
Central	147,729,000	124,413,545	7.20	103,833,155	6.60
Cambria	57,053,271	69,849,785	4.00	68,935,872	4.40
Jones	82,874,684	88,921,074	5.10	82,729,104	5.30
Otis	53,400,000	50,657,939	2.90	50,093,696	3.20
American	44,879,871	58,575,477	3.40	53,825,282	3.40
Glasgow	32,177,200	28,037,356	1.60	27,309,615	1.70
Tidewater	55,222	.....	.....	.....	.....
Lackawanna	.....	60,974,578	3.50	60,562,463	3.80
Total	1,615,076,658	1,727,421,070	100.00	1,564,329,909	100.00

JULY, 1905.

Names.	Sold (pounds).	Shipments, gross.		Exports, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	82,938,160	.....	126,525,786	14,918,748	.....	111,612,038
Worth	14,000,000	.....	22,332,910	1,460,059	.....	20,872,851
Illinois	9,431,492	.....	22,072,373	1,020,542	.....	21,051,831
Lukens	36,653,000	.....	25,447,226	763,225	.....	24,684,001
Central	17,585,000	.....	22,233,689	3,028,413	.....	19,205,276
Cambria	2,434,255	.....	8,297,118	67,249	.....	8,229,869
Jones	13,376,217	.....	15,009,895	1,109,035	.....	13,900,860
Otis	8,000,000	.....	7,876,200	61,828	.....	7,814,372
American	6,705,623	.....	9,614,810	939,980	.....	8,674,830
Glasgow	2,670,800	.....	5,266,047	170,585	.....	5,095,462
Lackawanna	.....	.....	12,729,848	.....	.....	12,729,848
Total	193,794,547	.....	277,405,902	23,534,664	.....	253,871,238

Statements—Continued.

JULY, 1905—Continued.

Names.	Total for 7 months.					
	Sold (pounds).	Shipped (gross pounds).		Per cent.	Shipped (net pounds).		Per cent.
Carnegie	88	95	80	.....	83	14	.....
Worth	00	16	82	.....	15	91	.....
Illinois	74	14	63	.....	14	99	.....
Lukens	00	18	86	.....	17	39	.....
Central	00	14	34	.....	12	31	.....
Cambria	36	7	03	.....	7	41	.....
Jones	01	10	69	.....	9	64	.....
Otis	00	5	39	.....	5	68	.....
American	94	6	87	.....	6	12	.....
Glasgow	00	3	03	.....	3	77	.....
Tidewater	32	.....		.....	.....		.....
Lackawanna	.....	73,704,426		.....	73,292,311		.....

AUGUST, 1905.

Names.	Sold (pounds).	Shipments, gross.			Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.			Per cent.	Pounds.
Carnegie	274,882,880	.....	19	94	21,728,616	.....	170,714,678
Worth	28,500,000	.....	2	12	2,621,715	.....	25,632,497
Illinois	812,937	.....	2	91	724,243	.....	22,967,748
Lukens	24,908,000	.....	2	28	1,545,403	.....	24,082,326
Central	26,765,400	.....	2	94	5,237,286	.....	18,233,936
Cambria	9,731,344	.....		76	123,584	.....	9,705,098
Jones	12,420,484	.....	1	85	389,125	.....	13,871,009
Otis	9,000,000	.....		36	32,215	.....	8,692,621
American	10,558,035	.....		53	1,578,613	.....	7,552,740
Glasgow	4,490,700	.....		20	128,810	.....	5,295,610
Lackawanna	.....	.....	1	48	.....	.....	15,109,948
Total	402,064,780	.....	355,967,837		34,109,610	.....	321,858,237

Names.	Total for 8 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	1,168,817,368	1,148,474,974	.....	92	.....
Worth	190,646,000	188,990,794	.....	88	.....
Illinois	96,858,511	167,330,454	.....	47	.....
Lukens	218,307,000	207,590,614	.....	54	.....
Central	192,079,400	170,118,428	.....	89	.....
Cambria	69,218,870	87,975,579	.....	33	.....
Jones	108,671,385	118,191,154	.....	34	.....
Otis	70,400,000	67,258,975	.....	89	.....
American	62,143,529	77,321,640	.....	52	.....
Glasgow	39,338,700	38,727,823	.....	87	.....
Tidewater	55,222	.....	.....	.....	.....
Lackawanna	.....	88,814,374	.....	88,402,259	.....
Total	2,211,535,985	2,360,794,809	.....	2,140,059,374	.....

Statements—Continued.

SEPTEMBER, 1905.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	402,424,720	.....	201,640,044	17,495,874	.....	184,144,170
Worth	24,000,000	.....	26,212,581	1,122,300	.....	25,090,281
Illinois	27,927,978	.....	17,532,472	201,365	.....	17,331,107
Lukens	37,750,000	.....	23,651,207	1,333,935	.....	22,317,272
Central	45,356,000	.....	20,459,436	3,819,190	.....	16,640,246
Cambria	11,211,813	.....	11,763,923	148,925	.....	11,614,998
Jones	47,893,909	.....	20,271,250	836,290	.....	19,434,960
Otis	9,000,000	.....	8,648,005	35,170	.....	8,612,835
American	6,071,399	.....	7,739,614	1,097,075	.....	6,642,539
Glasgow	18,031,800	.....	4,321,496	140,950	.....	4,180,546
Lackawanna	.....	.....	13,570,048	.....	.....	13,570,048
Total	629,667,619	.....	355,810,076	26,231,074	.....	329,579,602

Names.	Total for 9 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	1,566,242,088	1,350,115,018	.....	1,18[illegible]62	.....
Worth	214,646,000	215,203,375	.....	20[illegible]69	.....
Illinois	124,785,489	184,862,926	.....	18[illegible]54	.....
Lukens	256,057,000	[illegible]	.....	21[illegible]36	.....
Central	237,435,400	190,577,864	.....	15[illegible]85	.....
Cambria	80,430,683	99,739,502	.....	9[illegible]31	.....
Jones	156,565,294	138,462,404	.....	12[illegible]84	.....
Otis	[illegible]	75,906,980	.....	7[illegible]24	.....
American	68,214,928	85,061,254	.....	7[illegible]91	.....
Glasgow	57,370,500	43,049,319	.....	4[illegible]33	.....
Tidewater	55,223	.....	.....	.....	.....
Lackawanna	.....	102,384,422	.....	101,972,307	.....
Total	2,841,303,604	2,716,604,885	.....	2,469,685,376	.....

OCTOBER, 1905.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	244,993,920	.....	223,988,799	11,189,746	.....	212,799,053
Worth	26,000,000	.....	26,020,572	5,746,910	.....	20,273,662
Illinois	45,041,837	.....	22,889,578	40,800	.....	22,848,778
Lukens	32,628,000	.....	31,212,292	616,696	.....	30,595,596
Central	36,746,200	.....	20,702,494	1,658,592	.....	19,033,902
Cambria	41,829,390	.....	13,057,698	50,905	.....	13,006,788
Jones	28,946,644	.....	20,546,050	627,570	.....	19,918,480
Otis	9,000,000	.....	8,964,227	463,527	.....	8,500,700
American	9,991,870	.....	10,597,550	3,596,155	.....	7,001,395
Glasgow	9,928,300	.....	5,327,166	127,225	.....	5,199,941
Lackawanna	.....	.....	14,539,391	.....	.....	14,539,391
Total	485,101,161	.....	397,845,812	24,128,126	.....	373,717,686

Statements—Continued.

OCTOBER, 1905—Continued.

Names.	Total for 10 months.			
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	1,81 08	1,574,103,817	.....	1,399,356,915	.....
Worth	24 00	241,223,947	.....	222,038,631	.....
Illinois	16 26	207,752,504	.....	204,916,132	.....
Lukens	28 00	262,454,113	.....	247,746,932	.....
Central	27 00	211,290,358	.....	176,946,487	.....
Cambria	12 73	112,797,196	.....	111,492,619	.....
Jones	18 38	159,006,454	.....	149,854,464	.....
Otis	8 00	84,871,207	.....	83,714,224	.....
American	7 98	95,658,804	.....	83,696,786	.....
Glasgow	6 00	48,376,485	.....	47,081,174	.....
Tidewater	22	.....	.....	.....	.....
Lackawanna	.....	116,923,813	.....	116,511,668	.....
Total	3,226,304,765	3,114,450,697	.....	2,843,356,052	.....

NOVEMBER, 1905.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	354,070,500	52.00	199,203,277	17,995,362	52.00	181,206,415
Worth	26,658,000	8.60	33,033,884	3,379,934	8.30	29,653,950
Illinois	37,734,515	8.20	31,245,120	487,095	8.60	30,758,025
Lukens	27,811,000	7.20	27,717,696	353,378	7 60	27,364,318
Central	31,274,000	4.80	18,443,475	1,264,999	4.70	17,178,476
Cambria	1,315,696	3.20	12,288,368	284,793	3.30	12,003,575
Jones	20,905,554	5.10	19,537,662	1,640,375	5.00	17,897,187
Otis	9,000,000	2.30	8,598,832	88,360	2.30	8,508,472
American	6,683,913	2.60	10,130,030	3,177,720	1.90	6,952,310
Glasgow	7,108,360	2.00	7,437,733	187,623	2.10	7,250,110
Lackawanna	.....	4.00	15,350,869	.....	4.20	15,350,509
Total	528,667,588	100.00	382,985,345	28,859,639	100.00	354,125,707

Names.	Total for 11 months.				
	Sold (pounds).	Shipped (gross pounds)	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	2,165,312,568	1,773,307,594	50.70	1,580,565,330	49.40
Worth	267,304,000	274,267,831	7.80	251,692,581	7.90
Illinois	267,562,841	236,997,624	6.80	235,674,157	7.40
Lukens	310,490,000	290,171,809	8.30	275,111,250	8.60
Central	305,465,000	229,723,833	6.60	194,124,963	6.10
Cambria	123,575,769	125,085,563	3.60	123,496,194	3.90
Jones	212,417,492	178,546 016	5.10	167,751,651	5.20
Otis	97,400,000	93,468,039	2.70	92,222,696	2.90
American	84,890,701	105,788,834	3.00	90,648,096	2.80
Glasgow	74,402,160	55,814,218	1.60	54,331,284	1.70
Tidewater	55,222	.....	.....	.....	.....
Lackawanna	.....	132,274,682	3.80	131,862,567	4.10
Total	3,854,872,353	3,497,436,043	100.00	3,197,481,769	100.00

Statements—Continued.

DECEMBER, 1905.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	277,543,440	48.90	171,538,915	14,336,474	48.20	157,202,441
Worth	34,520,000	6.00	20,802,101	1,940,845	5.30	18,861,256
Illinois	150,050,319	7.50	26,103,529	1,396,262	7.60	24,707,267
Lukens	24,717,786	9.10	31,934,558	1,450,183	9.30	30,484,375
Central	35,672,000	6.30	22,284,623	2,381,884	6.20	19,902,739
Cambria	42,878,878	4.20	14,854,011	355,324	4.50	14,498,687
Jones	15,514,289	5.40	18,832,181	221,400	5.70	18,610,781
Otis	9,000,000	2.40	8,890,950	52,330	2.80	8,838,620
American	5,174,520	2.90	10,263,905	1,976,930	2.60	8,286,975
Glasgow	4,073,146	2.10	7,262,320	164,158	2.20	7,098,162
Lackawanna	.....	5.20	18,394,258	.....	5.60	18,394,258
Total	599,144,378	100.00	351,161,351	24,275,790	100.00	326,885,561

Names.	Total for 12 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	2,442,856,008	1,944,846,509	50.50	1,737,767,771	49.30
Worth	301,824,000	295,059,932	7.70	270,553,837	7.70
Illinois	357,613,160	265,101,153	6.90	260,381,424	7.40
Lukens	341,213,786	322,106,367	8.40	305,595,625	8.70
Central	341,127,600	252,008,456	6.60	214,027,702	6.10
Cambria	166,454,047	139,939,574	3.60	137,994,881	3.90
Jones	227,931,781	197,378,197	5.10	186,362,432	5.30
Otis	106,400,000	102,358,989	2.70	101,061,316	2.90
American	84,890,701	116,052,739	3.00	98,936,071	2.80
Glasgow	78,475,306	63,076,538	1.60	61,429,446	1.70
Tidewater	55,222	.....	.....	.....	.....
Lackawanna	.....	150,668,940	3.90	150,256,825	4.20
Total	4,454,016,731	3,848,597,394	100.00	3,524,367,330	100.00

JANUARY, 1906.

Names.	Sold (pounds).	Shipments gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	157,235,120	48.40	192,834,571	13,764,723	48.30	179,069,848
Worth	30,260,000	7.60	30,481,024	4,609,179	7.00	25,821,845
Illinois	21,344,000	6.70	26,892,037	440,246	7.10	26,451,791
Lukens	28,883,000	9.10	36,395,907	1,910,324	9.20	34,485,583
Central	18,874,600	6.40	25,274,524	3,535,229	5.90	21,739,295
Cambria	9,695,847	4.80	18,893,564	114,516	5.10	18,779,048
Jones	17,588,558	5.90	23,564,450	356,840	6.20	23,207,610
Otis	9,000,000	2.40	9,428,056	227,643	2.50	9,200,413
American	4,502,622	2.80	11,042,137	2,637,800	2.30	8,404,337
Glasgow	3,119,900	1.80	7,002,828	156,593	1.90	6,846,235
Lackawanna	33,492,000	4.10	16,421,318	.....	4.50	16,421,318
Total	333,495,647	100.00	398,180,416	27,753,093	100.00	370,427,323

Statements—Continued.

JANUARY, 1906—Continued.

Names.	Total for 1 month.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	1,[illegible]00	[1] 2,885,238,518			
Worth	[illegible]00				
Illinois	00				
Lukens	00				
Central	00				
Cambria	00				
Jones	00				
Otis	[illegible]				
American	00				
Glasgow	18				
Lackawanna	00				
Total	2,885,238,518				

FEBRUARY, 1906.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	20	49.90	157,926,736	21,660,435	48.00	136,266,302
Worth	00	8.40	26,730,959	1,911,232	8.70	24,819,727
Illinois	00	6.10	19,384,510	3,432,249	5.60	15,952,261
Lukens	00	9.10	28,767,786	1,057,196	9.80	27,710,590
Central	00	6.60	20,890,763	2,117,335	6.60	18,773,428
Cambria	08	3.50	11,005,349	177,901	3.80	10,827,448
Jones	10	4.20	13,215,732	864,200	4.30	12,351,532
Otis	00	2.70	8,716,229	32,175	3.10	8,684,054
American	18	2.30	7,170,245	1,040,550	2.20	6,129,695
Glasgow	00	2.10	6,471,497	312,157	2.20	6,159,340
Lackawanna	00	5.10	16,097,656		5.70	16,097,656
Total	275,284,436	100.00	316,377,462	32,605,430	100.00	283,772,032

Names.	Total for 2 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	306,411,040	350,761,307	49.00	49	48.20
Worth	63,260,000	57,161,983	8.00	72	7.70
Illinois	29,972,000	46,276,547	6.50	62	6.50
Lukens	48,849,000	65,163,693	9.10	73	9.50
Central	37,142,600	46,165,287	6.50	23	6.20
Cambria	15,135,835	29,898,913	4.20	96	4.80
Jones	25,210,868	36,780,182	5.10	42	5.40
Otis	18,000,000	18,144,285	2.60	67	2.80
American	11,402,940	18,212,382	2.60	82	2.20
Glasgow	9,203,890	13,474,325	1.90	75	2.00
Lackawanna	44,142,000	32,518,974	4.50	74	5.00
Total	608,730,083	714,557,878	100.00	654,199,355	100.00

[1] Represents unshipped orders on books and unspecified balances against contracts, as of Dec. 31, 1905.

Statements—Continued.

MARCH, 1906.

Names.	Sold (pounds).	Shipments, gross.		Exports, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	146,345,520	53.30	233,938,826	18,042,729	53.00	215,896,097
Worth	40,716,000	7.50	32,335,961	2,369,432	7.30	29,966,529
Illinois	7,914,000	5.90	26,621,182	803,430	6.10	24,817,752
Lukens	21,486,000	8.50	36,645,016	1,383,864	8.60	35,261,152
Central	28,462,400	6.00	25,770,060	2,348,853	5.80	23,421,207
Cambria	20,124,757	2.90	12,661,356	6,960	3.20	12,654,396
Jones	9,248,067	4.00	17,181,243	1,193,353	3.90	15,987,890
Otis	9,500,000	2.30	9,548,451	89,285	2.30	9,459,166
American	4,254,516	2.90	12,526,228	1,328,710	2.70	11,197,518
Glasgow	856,700	1[illegible]	7,855,010	.....	1.90	7,855,010
Lackawanna	14,744,000	4.80	21,120,466	.....	5.20	21,120,466
Total	303,651,960	100.00	435,203,799	27,566,616	100.00	407,637,183

Names.	Total for 3 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	452,756,560	584,700,133	50.30	32,246	50.00
Worth	103,976,000	89,487,944	7.80	08,101	7.50
Illinois	37,886,000	71,897,729	6.20	21,804	6.30
Lukens	70,335,000	101,898,709	8.90	57,325	9.20
Central	65,605,000	71,935,347	6.20	33,930	6.00
Cambria	35,260,592	42,560,269	3.70	60,892	4.00
Jones	34,458,935	53,961,425	4.70	47,032	4.90
Otis	27,500,000	27,692,736	2.40	43,633	2.60
American	15,657,456	30,738,610	2.70	31,550	2.40
Glasgow	10,060,500	21,329,335	1.90	60,585	2.00
Lackawanna	58,886,000	53,639,440	[illegible]	39,440	5.10
Total	912,382,043	1,149,761,677	100.00	1,061,836,538	100.00

APRIL, 1906.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	60,286,000	49.10	170,137,243	30,887,092	45.00	139,250,151
Worth	33,700,000	8.70	30,046,303	866,192	9.50	29,180,111
Illinois	10,550,000	5.40	18,750,876	235,575	6.00	18,515,301
Lukens	19,440,000	9.60	33,128,522	441,961	10.90	32,686,561
Central	17,634,000	8.20	28,539,445	2,735,198	8.40	25,804,247
Cambria	6,013,483	4.10	14,183,332	574,827	4.30	13,608,505
Jones	11,642,940	3.60	12,508,905	1,967,350	3.40	10,541,555
Otis	9,500,000	2.70	9,507,677	63,240	3.00	9,444,437
American	5,559,909	1.60	5,585,315	122,490	1.70	5,462,825
Glasgow	2,758,400	1.80	6,152,450	207,444	1.90	5,945,006
Lackawanna	2,252,000	5.20	17,898,026	.....	5.90	17,898,026
Total	179,336,732	100.00	346,438,094	38,101,369	100.00	308,336,725

Statements—Continued.

APRIL, 1906—Continued.

Names.	Total for 4 months. Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	513,042,560	75 076	50.50	670,452,397	49.00
Worth	137,676,000	11 047	7.90	109,788,213	8.00
Illinois	46,436,009	9 006	6.00	37,105	6.20
Lukens	89,775,000	13 031	9.90	43,886	9.50
Central	83,239,000	10 092	6.70	88,177	6.50
Cambria	41,274,075	5 001	3.70	89,397	4.10
Jones	46,101,875	6 030	4.90	85,587	4.50
Otis	37,000,000	3 013	2.40	88,070	2.70
American	21,217,365	3 025	2.40	94,375	2.30
Glasgow	12,818,900	2 035	1.80	05,491	2.00
Lackawanna	61,128,000	7 066	4.70	37,466	5.20
Total	1,091,718,775	1,406,199,771	100.00	1,370,173,263	100.00

MAY, 1906.

Names.	Sold (pounds).	Shipments, gross. Per cent.	Shipments, gross. Pounds.	Export, etc. (pounds).	Shipments, net. Per cent.	Shipments, net. Pounds.
Carnegie	116,078,080	55.00	218,200,240	25,744,270	53.10	192,455,970
Worth	27,300,000	7.60	30,008,565	1,836,616	7.80	28,171,949
Illinois	1,006,000	5.10	20,087,269	196,995	5.50	19,890,274
Lukens	35,684,000	8.20	32,336,407	565,344	8.80	31,771,063
Central	14,672,000	5.90	23,243,830	2,483,518	5.70	20,760,312
Cambria	3,227,537	2.90	11,346,027	48,829	3.10	11,297,498
Jones	9,881,674	3.80	14,854,742	556,945	3.90	14,297,797
Otis	9,500,000	2.50	9,890,181	151,330	2.70	9,738,851
American	4,567,067	2.00	7,757,760	982,840	1.90	6,774,920
Glasgow	9,998,000	1.40	5,296,157	43,790	1.40	5,252,367
Lackawanna	1,890,000	5.60	22,051,543		6.10	22,051,543
Total	233,904,378	100.00	395,072,721	32,610,177	100.00	362,462,544

Names.	Total for 5 months. Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	629,120,640	97 116	51.40	862,938,367	49.80
Worth	164,976,000	14 112	7.90	137,960,161	7.90
Illinois	49,442,009	11 074	5.90	105,627,379	6.10
Lukens	125,459,000	16 038	8.90	161,914,949	9.30
Central	97,911,000	12 022	6.50	110,496,489	6.40
Cambria	44,501,612	6 028	3.90	67,156,895	3.90
Jones	55,983,549	8 072	4.30	76,386,354	4.40
Otis	46,500,000	4,[illegible]94	2.50	46,526,921	2.70
American	25,784,452	44,051,685	2.90	37,969,295	2.20
Glasgow	22,816,900	32,777,942	1.70	32,057,966	1.90
Lackawanna	63,028,000	93,589,009	5.00	93,589,009	5.40
Total	1,325,523,153	1,691,272,492	[illegible]	1,732,635,807	100.00

Statements—Continued.

JUNE, 1906.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	153,604,720	53.60	203,643,144	17,536,479	52.30	186,106,665
Worth	18,330,000	8.60	30,271,064	2,263,269	7.90	28,007,815
Illinois	22,570,000	5.40	20,693,818	238,685	5.70	20,455,133
Lukens	40,959,000	7.90	30,034,660	2,011,687	7.90	28,022,973
Central	19,367,000	6.40	24,258,049	1,379,361	6.40	22,878,688
Cambria	9,067,462	3.20	12,276,630	.....	3.40	12,276,630
Jones	16,591,709	4.30	16,230,580	499,750	4.40	15,730,830
Otis	8,900,000	2.50	9,354,175	91,470	2.60	9,262,705
American	3,651,269	1.90	7,380,090	62,540	2.10	7,317,550
Glasgow	4,609,100	1.20	4,448,034	58,495	1.20	4,389,539
Lackawanna	5,130,000	5.60	21,550,347	.....	6.10	21,550,347
Total	302,780,260	100.00	380,140,611	24,141,736	100.00	355,998,875

Names.	Total for 6 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	782,725,360	1,176,680,760	51.80	1,049,045,032	50.20
Worth	183,306,000	179,823,896	7.90	165,967,976	7.90
Illinois	72,012,000	131,429,692	5.80	126,082,512	6.00
Lukens	166,418,000	197,308,298	8.60	189,937,922	9.10
Central	117,278,000	147,976,671	6.50	133,377,177	6.40
Cambria	53,669,074	80,366,258	3.60	79,443,525	3.80
Jones	72,575,258	97,555,652	4.30	92,117,214	4.50
Otis	55,400,000	56,444,769	2.50	55,789,626	2.70
American	29,435,721	51,461,775	2.30	45,286,845	2.20
Glasgow	27,426,000	37,225,976	1.60	36,447,497	1.70
Lackawanna	68,158,000	115,139,356	5.10	115,139,356	5.50
Total	1,628,403,413	2,271,413,103	100.00	2,088,634,682	100.00

JULY, 1906.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	109,865,600	50.30	164,761,715	16,417,239	48.50	148,344,476
Worth	22,070,000	9.10	29,830,982	1,455,661	9.20	28,375,321
Illinois	72,926,000	7.70	25,091,552	97,935	8.10	24,993,617
Lukens	21,247,000	8.70	28,504,859	351,930	9.20	28,152,929
Central	26,427,000	6.90	22,579,953	1,520,761	6.90	21,059,192
Cambria	1,183,201	3.20	10,529,852	84,121	3.40	10,445,731
Jones	12,565,019	3.60	12,003,565	830,935	3.70	11,172,630
Otis	7,500,000	2.30	7,587,219	220,165	2.40	7,367,054
American	7,618,000	1.60	5,070,531	1,920	1.70	5,068,611
Glasgow	1,959,500	1.50	4,865,467	104,939	1.50	4,760,528
Lackawanna	6,860,000	5.10	16,579,663	.....	5.40	16,579,663
Total	290,221,320	100.00	327,405,358	21,085,606	100.00	306,319,752

Statements—Continued.

JULY, 1906—Continued.

Names.	Total for 7 months. Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	89 60	1, 5	51.60	1,197,306,508	50.00
Worth	20 00	8	8.10	194,343,297	8.10
Illinois	14 00	4	6.00	151,076,129	6.30
Lukens	18 00	7	8.70	218,000,851	9.10
Central	14 00	4	6.50	154,436,369	6.50
Cambria	5 75	0	3.50	89,889,256	3.80
Jones	8 77	7	4.20	103,290,844	4.30
Otis	6 00	8	2.50	63,156,690	2.60
American	8 21	8	2.20	50,355,456	2.10
Glasgow	2 00	3	1.60	41,206,025	1.70
Lackawanna	7 00	9	5.10	131,719,019	5.50
Total	1,918,624,733	2,508,818,461	100.00	2,394,954,434	100.00

AUGUST, 1906.

Names.	Sold (pounds).	Shipments, gross. Per cent.	Shipments, gross. Pounds.	Export, etc. (pounds).	Shipments, net. Per cent.	Shipments, net. Pounds.
Carnegie	101,555,520	52.10	89,112	22,766,389	49.90	166,772,723
Worth	25,568,000	8.30	59,080	1,670,352	8.40	28,488,725
Illinois	9,246,000	6.40	23,495	103,255	6.80	23,130,240
Lukens	25,315,000	8.50	78,747	833,738	9.00	30,545,009
Central	22,175,000	6.80	99,154	1,628,234	6.30	21,280,920
Cambria	67,169,454	4.40	16,806	3,032	4.80	16,113,884
Jones	13,825,983	2.60	77,143	889,780	2.60	8,787,363
Otis	9,390,000	2.60	97,970	135,555	2.80	9,462,415
American	5,283,630	2.10	..,33,984	263,610	2.20	7,340,324
Glasgow	3,497,600	1.30	4,591,575	130,873	1.30	4,460,702
Lackawanna	12,624,000	5.40	19,956,527	....	5.90	19,956,527
Total	305,423,137	100.00	366,963,633	28,624,815	100.00	338,338,815

Names.	Total for 8 months. Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	994,146,480	1,532,961,567	51.80	1,366,162,231	50.00
Worth	231,234,000	239,813,958	8.00	222,832,025	8.10
Illinois	154,184,000	179,754,739	6.00	174,206,369	6.30
Lukens	212,980,000	25 704	8.70	248,635,860	9.10
Central	175,880,000	19 78	6.50	175,717,289	6.50
Cambria	122,021,729	10 06	3.60	106,003,120	3.90
Jones	98,464,210	11 60	4.00	112,077,207	4.10
Otis	72,290,000	7 58	2.50	72,619,095	2.70
American	42,337,351	6 49	2.20	57,695,780	2.10
Glasgow	32,883,100	4 18	1.60	45,668,727	1.70
Lackawanna	87,642,000	15 48	5.10	151,675,546	5.50
Total	2,224,062,870	2,965,782,094	100.00	2,733,293,249	100.00

Statements—Continued.

SEPTEMBER, 1906.

Names.	Sold (pounds)	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds.
Carnegie	632,120,560	49.40	167,568,382	16,490,286	48.10	151,078,096
Worth	23,380,000	8.30	28,263,479	3,593,504	7.90	24,669,975
Illinois	52,744,000	6.40	21,557,354	325,965	6.80	21,231,389
Lukens	80,214,000	8.90	30,197,643	1,315,843	9.20	28,882,000
Central	17,248,000	6.40	21,928,418	2,640,681	6.20	19,287,737
Cambria	19,940,345	5.20	17,702,185	90,845	5.60	17,611,340
Jones	10,155,758	2.60	8,685,245	1,474,810	2.30	7,110,335
Otis	8,850,000	2.60	8,914,220	86,349	2.80	8,827,871
American	4,328,471	2.10	7,121,448	106,540	2.20	7,014,908
Glasgow	12,100,600	1.30	4,395,650	106,650	1.40	4,289,000
Lackawanna	14,452,000	6.90	23,500,184		7.50	23,500,184
Total	875,533,734	100.00	339,734,408	26,231,573	100.00	313,502,835

Total for 9 months.

Names.	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	1,626,267,040	1,70 00	51.50	1, 40,327	49.80
Worth	254,614,000	2 37	7.90	02,000	8.10
Illinois	206,928,000	2 93	6.10	37,758	6.40
Lukens	293,194,000	2 47	8.70	17,860	9.10
Central	193,128,000	21 96	6.50	05,026	6.40
Cambria	141,962,074	12 91	3.80	14,460	4.00
Jones	108,119,968	12 06	3.90	87,542	3.90
Otis	81,140,000	8 78	2.50	46,966	2.70
American	46,665,822	71,257,688	2.20	10,688	2.10
Glasgow	44,983,700	51,078,668	1.60	57,727	1.90
Lackawanna	102,094,000	175,175,730	5.30	75,730	5.70
Total	3,099,596,604	3,305,516,502		3,046,796,084	100.00

OCTOBER, 1906.

Names.	Sold (pounds).	Shipments, gross.		Export, etc. (pounds).	Shipments, net.	
		Per cent.	Pounds.		Per cent.	Pounds
Carnegie	350,117,200	54.20	244,044,906	19,482,689	53.10	224,562,217
Worth	46,500,000	8.60	38,546,208	2,340,789	8.60	36,205,419
Illinois	25,992,000	7 40	33,184,793	6,795	7 90	33,177,998
Lukens	45,782,000	9.00	40,216,442	995,285	9.30	39,220,157
Central	16,374,000	4.80	21,660,620	1,887,104	4.70	19,773,516
Cambria	9,294,027	11.50	11,234 788	24,401	2.70	11,210,387
Jones	9,264,675	3.50	15,755,060	3,220,155	3.00	12,534,895
Otis	8,900,000	2.00	9,012,806	110,000	2.20	8,902,806
American	5,120,640	1.90	8,324,988	11,930	2.00	8,313,058
Glasgow	4,131,200	1.00	4,537,815	35,020	1.10	4,502,795
Lackawanna	32,946,000	5.10	22,958,289	39,360	5.40	22,918 929
Total	554,421,742	100.00	449,475,705	28,153,528	100.00	421,322,177

Statements—Continued.

OCTOBER, 1906—Continued.

Names.	Total for 10 months.				
	Sold (pounds).	Shipped (gross pounds).	Per cent.	Shipped (net pounds).	Per cent.
Carnegie	1, 40	1, 75	51.30	1,741,302,544	50.20
Worth	00	45	8.20	283,707,419	8.20
Illinois	00	36	6.20	228,615,756	6.60
Lukens	00	39	8.70	316,738,017	9.10
Central	00	16	6.20	214,778,542	6.20
Cambria	01	77	3.60	134,524,847	3.90
Jones	48	55	3.80	131,722,437	3.80
Otis	00	64	2.40	90,349,772	2.60
American	63	76	2.20	72,023,746	2.10
Glasgow	00	53	1.50	54,460,522	1.60
Lackawanna	00	19	[redacted]	196,094,659	5.70
Total	3,654,018,346	3,754,992,207	100.00	3,468,118,261	100.00

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